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**Midterm
Evaluation of the
Microenterprise
and Small
Producers
Support Project
in Peru**

GEMINI Technical Report No. 100

GEMINI

GROWTH and EQUITY through MICROENTERPRISE INVESTMENTS and INSTITUTIONS
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**DEVELOPMENT ALTERNATIVES, INC. • Michigan State University • ACCION International •
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Midterm Evaluation of the Microenterprise and Small Producers Support Project in Peru

by

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PREFACE

This document is a mid-term evaluation report of the MICROENTERPRISE and Small Producers Support Project executed by ADEX and USAID/Peru. It was prepared by a Development Alternatives, Inc. consulting team under funding of the MICROENTERPRISE Development Office (G/EG/MD) through a GEMINI Project buy-in, contract number DHR-5448-Q-82-9081-00.

This document includes work of three consultants, each focusing on one of the Project's three components. The study was conducted between August 5 and September 2, 1995. During this time the consultants visited the principal office of the MSP Project in Lima, Peru and the cities of Ayacucho, Cuzco, Huancayo, Piura, Supe, Andahuaylas, Arequipa, and La Merced where contact was made with small businesses, smallholder farmers, grassroots organizations, non-governmental organizations, commercial companies and other clients of the MSP Project.

The evaluation was originally submitted to USAID/Peru on September 2, 1995. A revised draft was submitted in mid-September, and comments received from USAID/Peru on September 29, 1995, the last day of the GEMINI Contract. Despite this date, the team undertook a detailed examination of the Mission's comments, many of which are incorporated in this final version of the report. As agreed with USAID/Peru, their original comments of September 29, 1995 are attached as Annex K. Because there remain areas of disagreement between USAID/Peru and the evaluation team, Annex L contains the evaluation team's response to the USAID/Peru comments, as written by the team leader. It is hoped that this full disclosure of the discussions that have emerged from the midterm evaluation exercise will improve the understanding of the readers.

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LIST OF ACRONYMS

ACDI	Agricultural Cooperative Development International
ADEX	Asociacion de Exportadores
ANAPROCAFE	Asociacion Nacional de Productores de Cafe
APASA	Asociacion de Productores Agrarios de Semillas
APEMIPE	Asociacion de Pequeños, Medianos Industriales del Peru
API	Agricultural Productivity Improvement Component
APPLE	Anti-Poverty Lending
ATT	Agriculture Technology Transformation
CA	Cooperative Agreement
CAF	Corporacion Andino de Fomento
CARE	Cooperative for American Relief Everywhere
CBI	Dutch Development Promotion Agency
CEPES	Centro Peruano de Estudios Sociales
CID	Centro de Informacion y Documentacion
CODESE	Comite Departamental de Semillas
COFIDE	Corporacion Financiera de Desarrollo
CONFIEP	Confederacion Nacional de Instituciones Empresariales Privadas
COPEME	Consortio de Organismos No-Gubernamentales que Apoyan a la Pequeña y Microempresa
CRS	Catholic Relief Services
DA	Direct Assistance
DESCO	Centro de Estudios de Promocion del Desarrollo
EAC	Executive Advisory Committee
EOPS	End of Project Status
ESF	Economic Support Funds
ESP	Export Sector Panel
ESR	Economic Stabilization and Recovery
ETD	Export Trade and Development Project
EU	European Union
FOB	Free On Board
FOGAPI	Fondo de Garantia para la Pequeña Empresa
FOMIN	Multilateral Investment Fund
FONCODES	Fondo Nacional de Compensacion y Desarrollo Social
FONDEM	Fondo de la Microempresa
GEMINI	Growth & Employment with Managed Investment
GOP	Government of Peru
GROs	Grass Roots Organizations
HCOLC	Host Country Owned Local Currency
IDB	Inter-American Development Bank
IDESI	Instituto de Desarrollo del Sector Informal
IEP	Investment and Export Promotion Project
IESC	International Executive Service Corps
IFC	International Finance Corporation
INDDA	Instituto Nacional de Desarrollo Agroindustrial
INIA	Instituto Nacional de Investigacion Agripecuario
IPAE	Instituto Peruano de Administracion de Empresas

IPM	Integrated Pest Management
INTINTEC	Instituto de Investigacion Tecnologica Industrial y de Normas Tecnicas
LBII	Louis Berger International, Inc.
LOP	Life of Project
MEDP	Microenterprise Development Panel
MEF	Ministerio de Economia y Finanzas
MITINCI	Ministerio de Industria, Turismo, Integracion y Negociaciones Comerciales Internacionales
MOA	Ministry of Agriculture
MSP	Microenterprise and Small Producer Support Project
MUC	Mercado Unico de Cambios
NGOs	Non-Governmental Organizations
NTE	Non Traditional Exports
ORD	Office of Rural Development, USAID
PACD	Project Actual Completion Date
PAPI	Policy Analysis, Planning and Implementation Project
PEMTEC	Pequena Empresa, Tecnologia y Sociedad
PEP	Proyecto Empresarial Peruano
PL 480	Public Law 480, USG food donation program
PROPEM	Programa de Pequena Empresa
PVO	Private Voluntary Organization
SDA	Special Development Activities Fund
SNE	National Society of Exporters
SNI	National Society of Industry
TA	Technical Assistance
UNALM	Universidad Nacional Agraria - La Molina
USAID	United States Agency for International Development
USG	United States Government

EXECUTIVE SUMMARY

A large percentage of the poor population in Peru living in rural and urban areas depend on a livelihood related directly or indirectly to small enterprise, either as a small agricultural producer/landholder or in the manufacturing and marketing of handicrafts, sewn clothing items, or shoe production and/or assembly. In many cases, these micro-entrepreneurs and small farmers have had extremely limited access to affordable or available credit; have been dislocated or seriously affected by a decade of terrorism by anti-government communist groups; have not learned of or adapted to new technology developments in their area of business; or need technical assistance to identify new or expanding markets for their products.

As a result of the above situation, increases of income and expansion of employment opportunities for the poor majority have been severely restricted.

Recognizing the need to take advantage of a new democratic, pro private-sector society where terrorism has been practically eliminated, the United States Agency for International Development (USAID) in partnership with the private sector and the Government of Peru studied several plans to begin solving the above problems.

As a result of these studies, The USAID in Lima, Peru has promulgated as part of its long-term work plan, several Strategic Objectives for assisting the "poor majority" in Peru. Strategic Objective No. 2 is "Increased Incomes and Employment of the Poor". Program outcome number two of this strategic objective is stated as "Increased Market Access for Microentrepreneurs and Small Farmers".

The prime indicators in this program outcome are:

- Change in volume of sales of targeted commodities;
- Value of targeted goods sold; and
- Number of new markets for targeted commodities.

One of the supporting projects for implementing this Strategic Objective No. 2 is the Microenterprise and Small Producers Support Project (MSP), which is being implemented under an agreement with the Asociacion de Exportadores (ADEX) with technical advisory services provided by Louis Berger International Inc. (LBII).

The MSP Project is the result of three amendments to various projects began by USAID/Peru in September, 1991 to stimulate investment, trade, and economic development at various levels of the Peruvian population. Beginning with an Investment and Export Promotion Project which was amended to Export Trade and Development due to changes in USAID/Washington policy, the Project was finally amended to focus on the "poor majority" in Peru to broaden its economic and social impact.

The MSP Project consists of three components: 1) market access services; 2) technical assistance; and 3) the credit access component. These three components were evaluated for the following main issues: 1) Strategy, 2) End-of-Project Status Objectives, 3) Targeted Sectors and Products, 4) Key Outputs, 5) Institutional Mechanisms and Project Management, 6) Monitoring and Evaluation and Management

Information Systems, and 7) the Information and Documentation Center, as per the scope of work developed by USAID/Peru.

The purpose of this document is to present the major findings, conclusions and lessons learned, and key recommendations resulting from a mid-term evaluation of the MSP Project conducted under the GEMINI contract through Development Alternatives, Inc. of Bethesda, Maryland. In addition to performing a retrospective analysis on the above seven issues, the DAI evaluation team also conducted a prospective analysis on Cost Recovery, Project Strategy, Implementation of Project Activities, and Resource Allocation.

The main findings revealed both strengths and weaknesses of the project, as well as several critical ways in which the project can be strengthened to enhance results. In general, the agricultural technical assistance component is the strongest project component, but this is largely due to the fact that it has been functioning over longer period of time in previous iterations of the Project.

Management of the Project was found to be basically sound, and the team was impressed by the communications, coordination, and relations existing between the Institutional Contractor, Louis Berger International Inc., and the executing organization ADEX. However, some deficiencies exist which need to be addressed. They include focusing attention on institutional strengthening, sustainability of Project organizations and results, and more detailed financial analysis of resources allocated between sectors, programs, and products. It is felt that the MSP Project has an excellent opportunity to enhance the socio-economic status of the poor majority well beyond the project completion date if sufficient attention and resources are committed now to strategy planning, institutional diagnosis, and subsequent strengthening while program momentum is still in force.

The tables below outline the key strengths and weaknesses identified by the evaluation team. In addition, it highlights the most important recommendations of the team. These issues will be discussed in much greater detail in the text.

IDENTIFIED STRENGTHS OF MSP PROJECT
Highly professional and motivated Project team.
Excellent external reputation of MSP Project.
Proven ability to reach "poor majority" in the economy.
High quality services provided to clients, with proven ability to choose appropriate technical assistance and advisory support for each specialization.
Well-designed microenterprise project strategy with adequate systems for identifying product areas, clients, and markets.
Well-designed agriculture project strategy with proven demand-driven, high-impact, relevant, and leveraged assistance to grower communities, associations, and foundations.
Credit Access Program (CAP) built upon sound knowledge of the needs of the clients, the different types of financial service providers and intermediaries, and the prevailing financial environment in Peru. The CAP strategy of leveraging resources has high potential for a cost-effective and sustainable system of financial service provision.

IDENTIFIED WEAKNESSES OF MSP PROJECT
Lack of homogeneous implementation system, resulting in some components showing less institution-building, leveraging of resources, and results in general.
Difficulties in monitoring and management of a results-oriented strategy. This is exacerbated by delays in conducting baseline studies against which results can be measured.
Unrealistic EOPS targets in terms of increased sales and employment. The increased emphasis on developing new products and targeting areas of extreme poverty is likely to move the Project further from achievement of impact as measured by increases in sales and employment.
Current subsidization of services endangers long-term and wide-spread availability of technical assistance as (1) subsidies distort the market against providing similar services, and (2) subsidies limit the number of clients that can be reached.
Insufficient integration of credit into non-financial technical support services. This has resulted in the overall impact of project activities being weakened by lack of sufficient credit to clients.
Slow start-up in some product areas and in the Credit Access Program, including delays in negotiating sub-agreements, which has compromised achievement of 1995 targets.
Some product groups show investments that are not cost-effective.

RECOMMENDATIONS OF MSP EVALUATION TEAM
Reassess and revise quantitative goals of EOPS objectives, and clearly state assumptions.
Strengthen Strategic Planning System (SPS), Management Information System (MIS), and Monitoring and Evaluation System (MES), and ensure that information output corresponds to indicators established in the new Action Plan. A sub-component of these systems should be a comprehensive loan monitoring system for all CAP implementation partners.
Develop systems of control that are in line with clear goals and indicators, all in keeping with a "culture of results". On the process side, system of controls should enforce fulfillment of methodical steps in a timely manner. In general, improve communication and coordination between the monitoring and evaluation unit and the technical services components.
Review program and product costs and projected returns based on real results and activities to date. Continue to implement cost-benefit analyses by project activity to measure cost-effectiveness of interventions to validate that products and services selected are of high impact. Redirect emphasis of technical support to those products showing high impact and cost-effectiveness.
Implement improved communication and coordination between credit and non-credit Project components at all levels. Develop an integrated workplan, clearly delineate roles and responsibilities related to CAP implementation, and hold regular project management meetings with both financial and non-financial component managers. As part of strengthened management and review of project activities, operationalize the Executive Advisor Committee.
Develop Rules and Procedures Manual, Job Description Manual, and updated and comprehensive Organizational Chart.
Complete a comprehensive workplan for the expanded Credit Access Program, including the EDPYME Support Program.
Immediately finalize pending sub-agreements, particularly in CAP component.

Strengthen cost-recovery mechanisms for Project services, including, as a first step, making clients aware of value of services through circulars providing information on financial return possible through implementation.
Immediately work to strengthen grassroots organizations and NGOs participating in the Project, particularly in the areas of financial analysis, cost control, production planning, management information systems, and marketing strategies.
Reorient CAP financial support to technical assistance and institutional strengthening rather than current emphasis on supporting operational costs. Make CAP financial support conditional upon achieving targeted levels of lending, loan recuperation, and cost-recovery. To support this effort, the MSP Project should contract a full-time Institutional Strengthening Specialist, who would report to the CAP Manager (currently "CAP Credit Specialist").
Proceed with the operationalization of the Information and Documentation Center.

Finally, it should be noted that the MSP Project has achieved national and international recognition as a serious, effective project which is serving as a model of development programs for other development agencies. Time remains to further strengthen and improve this excellent Project.

SECTION 1

INTRODUCTION

1.1 BACKGROUND TO THE EVALUATION

As stated in the Executive Summary, the micro-enterprise sector of the Peruvian economy has been identified as requiring special technical assistance to resolve social and economic deficiencies.

During the 1980's and early 1990's, Peru suffered from poor, unethical governmental administration and planning where resources were diverted from aiding sustained economic growth and improving social conditions, especially as applied to the the "poor majority". The micro-enterprise sector was particularly affected. The economic crisis was further complicated by disastrous weather conditions which destroyed the fishing and agricultural economy and ruined a large part of the infrastructure used for exporting. As a result of these negative impacts, employment opportunities were significantly diminished and local markets of the microenterprise sector were greatly decreased.

In early 1990 the USAID in Peru identified this situation as an opportunity to provide economic and technical assistance to the government and private sector in Peru to improve emerging democratic sustainability and to assist in increasing income and employment of the poor. Hence, several assistance projects to stimulate investment, trade, and economic development were begun. The Microenterprise and Small Producers Support Project (MSP) was formulated and implemented in 1994 as a follow-up to the original projects.

Planned project evaluations conducted by contracted third parties are used as a normal fiscal and administrative management tool of country missions of USAID to measure the rate of progress and results of their portfolio of development projects. Other purposes of the evaluation are to highlight special program strengths and successes that can be leveraged or transferred to other components of the Project, as well as to identify weaknesses in the management, administration, and implementation strategies and make recommendations for their improvement.

Due to the later then planned total implementation of the ADEX-USAID/PERU Microenterprise and Small Producers Support (MSP) Project as a result of political instability in Peru, this Mid-Term Evaluation is being conducted at this time.

1.2 PURPOSE OF THE EVALUATION

This Mid-Term Evaluation focuses on the strategy, objectives and achievements of the MSP Project, formulated in June, 1994 and officially approved by USAID in September, 1994. The primary purpose of the evaluation is "to examine the overall viability, structure and potential impact of MSP Project activities from June, 1994 to present".

Within this context, the evaluation reviews the accomplishments, strengths and weaknesses associated with the sectors/products targeted by the project; the project's technical, financial and policy inputs; and the administrative/management tools designed for managing the project.

The evaluation also addresses sectoral accomplishments and constraints, as well as cross-cutting administrative issues. It reviews issues associated with the strategic design of the MSP Project and analyzes strengths and weaknesses in project implementation. Most importantly, the evaluation assesses progress made towards the achievement of the End-of-Project Status (EOPS) Objectives and provides recommendations on how the project may better leverage its resources and improve upon current cost-recovery mechanisms in order to ensure greater cost-effectiveness, cost recovery, and long-term sustainability.

See Annex G : Scope of Work for the Evaluation of the Peru MSP Project.

1.3 KEY EVALUATION QUESTIONS

This Mid-Term Evaluation includes both a retrospective analysis of the MSP Project design and implementation to date, as well as a prospective analysis, which includes recommended future modifications to the MSP Project implementation strategy.

1.3.1 Retrospective Analysis

The retrospective analysis of MSP Project implementation from June, 1994 to present responds to key evaluation questions in the following seven areas:

- 1) **Strategy:** How effective is the MSP strategy? Does the strategy adequately respond to USAID mission's strategic objectives outlined in USAID/Peru's 1995 Action Plan, by increasing the participation of the "poor majority" in the economy? Did the newly-modified MSP strategy sufficiently build off the successes of the original ETD strategy and minimize the "downtime" from re-orienting project resources?
- 2) **End-Of-Project Status Objectives:** How realistic are the current EOPS targets for the MSP Project? What is the likelihood that the project will be able to achieve its principal purpose-level objectives by PACD? Do initial results indicate that the MSP approach is viable and cost-effective and if not, how can MSP be strengthened?
- 3) **Targeted Sectors and Products:** Is the methodology for targeting the high-impact products and sub-sectors adequate? Is there a good balance between resources available and targeted clients? Between resources allocated to non-financial and financial services? Among the three principal programs: agricultural products, microenterprise products and Sierra/Jungle products? What are the implications of the Project's recent orientation to place more emphasis in developing new products and targeting areas of extreme poverty in the Sierra and Jungle?
- 4) **Key Outputs:** Will the project be able to achieve the various output indicators established in the logical framework? Do the achievement of these outputs lay the proper foundation for achieving the purpose-level objectives (e.g. EOPS)?

- 5) **Institutional Mechanisms and Project Management:** How effective have the various program managers been in implementing the project activities? How effective have the various institutions/organizations (e.g. ADEX, Institutional Contractor/Louis Berger International, Inc.) been in managing the project? How well has the project integrated MSP objectives into the objectives of the ADEX organization? Is there adequate coordination between the Institutional Contractor and ADEX staff?
- 6) **Monitoring and Evaluation and Management Information Systems:** How effective and comprehensive are the project's monitoring and evaluation systems? Are there an adequate number of baseline studies? Does the project have an M&E system that is timely and cost-effective? Do they have a timely and comprehensive management information system in place? Is the system adequate in order to be able to report results in the context of the information needed within USAID/Peru's 1995 Action Plan? If not, what modifications in its M&E and MIS systems are needed?
- 7) **Information and Documentation Center:** Is the CID developing information services that are timely and relevant to the MSP client's needs? Is there an adequate capability being established for linking NGOs, the CID, and other Microenterprise support organizations to the information network? In its present design, how sustainable are CID services? How can the CID strategy be modified to enhance sustainability?

1.3.2 Prospective Analysis

Building upon the retrospective analysis of MSP Project implementation from June, 1994 to present, the prospective analysis responds to key questions in the following four areas:

- 1) **Cost Recovery:** Are the MSP's initial efforts at cost-recovery mechanisms appropriate and effective? What other elements for a more comprehensive cost-recovery system are needed and how would they be phased in?
- 2) **Project Strategy:** What changes are needed, if any, in the project's implementation strategy in order to reach its targeted objectives?
- 3) **Implementation of Project Activities:** What recommendations are there, if any, for improving the management and implementation of project activities? Examine the history of the Project's resource levels and estimate on a projected basis minimum resource level requirements over LOP?
- 4) **Resource Allocation:** Is there a proper balance in resources and services (non-financial and financial services) in order to achieve the stated objectives in terms of impact and geographic coverage? If resource levels are less than adequate, what is the likely impact upon the Project attaining its objectives? Do the Microenterprise Innovation Project (MIP) funds from USAID/Washington and PL480/Title III (MEF) funds from USAID/Peru complement, without displacing or diverting, the MSP's original portfolio of project activities?

1.4 EVALUATION METHODOLOGY

All logistical and administrative support for the evaluation was provided by MSP/ADEX and USAID/Peru's Office of Rural Development. The team's schedule of activities and list of contacts are presented in Annexes D and H, respectively.

1.5 EVALUATION TEAM COMPOSITION

The MSP Project Mid-Term Evaluation was undertaken by a team of external consultants contracted by Development Alternatives, Inc. (DAI) under the Microenterprise Development Office's Growth and Equity Through Microenterprise Investments and Institutions (GEMINI) Project. It was funded through a buy-in by the Global Bureau's Microenterprise Development Office.

Fernando Fernandez, a *microenterprise expert* specializing in non-financial assistance programs was responsible for the assessment of the MSP Project Microenterprise Program. David Anderson, the team leader and *agricultural expert* specializing in smallholder production was responsible for the assessment of the MSP Project Agricultural and Jungle/Sierra Special Programs. Tamara Tiffany, a *microenterprise expert* specializing in financial services programs was responsible for the assessment of the MSP Project Credit Access Program (CAP).¹ Together, the three experts assessed cross-cutting issues such as project cost-recovery, sustainability, institutional strengthening, and project administration and management matters.

¹The original SOW for the MSP Project Mid-Term Evaluation included an assessment of both the MSP Project Credit Access Program (CAP) and the APPLE/APPLE Auxiliary Support Programs. It did not include an assessment of the MSP Project Rural Banking Component, implemented under a separate Cooperative Agreement with ACDI. Given a concurrent study of the APPLE Programs undertaken by DAI during the evaluation period, it was decided that the team would give minimal focus to the APPLE/APPLE Auxiliary Support Programs as part of the MSP Project Mid-Term Evaluation.

SECTION 2

MSP PROJECT BACKGROUND AND DESIGN

The Microenterprise and Small Producers Support Project (MSP) is the result of a series of amendments to prior USAID-Peru projects aimed at stimulating a rapid and economically sustainable private sector reactivation process that would generate increases in foreign exchange, employment, and productivity by focusing on Peru's non-traditional exports and investment in export activities.

The original project was entitled "Investment and Export Promotion" (IEP) and operated during the period of September, 1991 to March, 1993. This project had three main components: 1) export promotion services to help identify export enterprises that could increase their exports rapidly; 2) technical assistance to assist those individual export enterprise/producers identified for Project support; and 3) a \$50 million GOP-funded local currency credit line to meet the lending needs of non-traditional exporters.

Due to USAID/Washington policy directives (Section 599), the IEP projected was amended in March, 1993 to the "Export Trade and Development" (ETD) project and \$50 million in host country owned local currency (HCOLC) funds were deleted due to budget austerity measures. The modified Project purpose was to generate employment and to increase Peruvian exports in three labor intensive sectors: agriculture, light industry and fishing. The ETD Project provided technical assistance to all sizes of non-traditional exporting firms and also sought to enhance the services of the Exporters Association (ADEX) and other private sector export promotion organizations.

A second amendment to the ETD Project occurred in September, 1993 when an Agriculture Productivity Improvement (API) component was added. The purpose of this \$8 million Development Assistance (DA) funded component was to improve productivity and competitiveness of farmers through a mix of activities proven successful under the completed Agricultural Technology Transformation (ATT) Project.

In September, 1994 the ETD Project was amended a third and final time. This final modification resulted in the Microenterprise and Small Producers Support Project (MSP), thereby better responding to the new USAID Administration's policy to emphasize poverty alleviation and microenterprise development. In accordance with these objectives, USAID/Peru completed a portfolio review of its private sector projects which revealed that many of the current activities showed strong promise for significantly improving the livelihood of microentrepreneurs, small producers, and members of grass roots organizations (e.g. women's associations, indigenous populations, trade guilds and their associations, smallholder farmers, and low-income groups. As such, the ETD Project was modified into the MSP Project rather than terminated in order to further strengthen its focus on the "poor majority".

Focusing development efforts on the poor majority also required a change in the MSP Project design. These changes included refining the Projects market strategies, better design of technical assistance methods and more sophisticated monitoring and evaluation services.

Activities and efforts were re-directed to thousands of microentrepreneurs and smallholder farmers through community associations and producer associations in the poor regions of Peru, as well as through local non-government organizations (NGOs). By leveraging the delivery of services through these groups, the MSP Project is attempting to help increase the Project's clientele skills and productivity, enhance their

entrepreneurial and management abilities, and thus increase their incomes and assets, and generate productive employment. Finally, by cooperating with these groups and strengthening their financial and management skills, the Project hopes to develop sustainable organizations which will continue to effectively participate in Peru's economic development beyond the termination of the Project.

2.1 PROJECT GOAL AND PURPOSE

MSP Project Goal: "To promote broadly-based sustainable economic growth by increasing the participation of the poor majority in the economy."

MSP Project Purpose: "To increase income and employment of microentrepreneurs, small producers and smallholder farmers and strengthen their member democratic grass roots organizations."

See Annex J : MSP Project Logical Framework.

2.2 PROJECT COMPONENTS

The MSP Project consists of three components: 1) market access services; 2) technical assistance; and 3) the credit component.

2.2.1 Market Access Services Component

Implementation of support actions towards the microenterprise sector from the MSP Project had its origins in the Export Trade & Development (ETD) Project, which defined actions for the light industries, garments, jewelry and handicrafts sectors. Activities began in December 1993, particularly in the handicrafts sector. However, the activities stated in the "Microenterprise Program" component of the MSP Project were newly developed with their actual activities defined with the amendment dated 9/27/94, the beginning of the MSP Project.

The market access services component consists of the development and implementation strategy; promotion of services to the ME sector; and market information services for the ME.

2.2.2 Technical Assistance Component

The MSP Technical Assistance Program is intended for those microenterprises and small producers identified for Project support to overcome specific productive or marketing problems in order to increase sales and generate employment rapidly. It has two elements:

- 1) Specialized technical assistance for product design and development, production technology, finance, marketing, quality control, and packaging and labelling once a specific product has been identified with a proven market; and

- 2) Pilot activities to introduce new production techniques, cost-saving equipment, or to promote the use of shared common services, physical facilities or equipment among project participants. The MSP Project contracts or purchases the required expertise or commodities being introduced.

Included in the technical assistance component is the provision of specialized technical assistance and development of pilot activities within both the agriculture and microenterprise sectors. These activities are carried out with the support of national and international experts.

2.2.3 Credit Component

The MSP Project credit component is comprised of the following three programs:

Anti-Poverty Lending Program. Initiated in September, 1994, the MSP Project Anti-Poverty Lending Program is implemented through 3 U.S. PVOs with demonstrated experience in anti-poverty lending: FINCA/Peru, CRS/Peru, and CARE/Peru. Utilizing the "Village Banking" model (community group lending), the program targets 9,000 disadvantaged women, providing loans of up to \$300 per individual.

The \$2 million MSP Project Anti-Poverty Lending Program is funded jointly by USAID/Washington's Microenterprise Development Office Anti-Poverty Lending (APPLE) Grants Program and MSP Project matching funds.

The APPLE Auxiliary Support Program (AASP) is designed to provide support to NGOs implementing anti-poverty lending programs Peru, with first priority given to the needs of the three MSP Project APPLE grants recipients. AASP activities include: start-up, mid-term and final project seminars; specialized training; mid-term and final evaluations of APPLE-funded anti-poverty lending programs; specialized technical assistance; informative visits; and information dissemination. The \$450,000 AASP is funded with \$250,000 from MSP Project funds and \$200,000 from the APPLE Grants Program.

Rural Banking Under a separate Cooperative Agreement with Agricultural Cooperative Development International (ACDI), the MSP Project provides assistance to a pilot rural credit union (Caja Rural), established in La Cruz de Chalpón, Chiclayo as a means to devise an efficient and sustainable rural credit delivery model for small farmers to be replicated elsewhere in Peru. The U.S. PVO TechnoServe is a sub-grantee of the ACDI Cooperative Agreement, providing the small farmers with production technical assistance, grouping them into associations, and helping them draft sound credit proposals for the Caja Rural.

Credit Access Program The MSP Project Credit Access Program (CAP) was established in December, 1994, subsequent to the initiation of MSP Project implementation and the development of the 1995 MSP Project Work Plan as a means to provide MSP clients with access to credit. The original CAP Strategy was finalized and approved by USAID/Peru in January, 1995. Funding for the expansion of CAP was requested from USAID's Microenterprise Innovation Project (MIP) by USAID/Peru in April, 1995 and approved in August, 1995.

The current MSP Project Credit Access Program is comprised of two components:

1) *Expanded NGO Financial Services Outreach*

The first of the two CAP components is designed to leverage credit for microenterprises and small producers by expanding and strengthening the financial intermediary capacity of NGOs operating in 21 MSP Project target areas (See TABLE 17 : CAP Project Target Areas).²

Under this component, financial support is provided to counterpart NGOs to enable these to initiate and/or expand their current credit leverage programs to MSP Project target areas. Technical support is also provided to the programs to enable them to better respond to the unique credit needs and constraints faced by micro and small producer clients; achieve greater lending efficiency, effectiveness, and coverage; and increase their potential to achieve financial self-sufficiency.

The Expanded NGO Financial Services Outreach Component is funded jointly by the MSP Project for a total of \$1,914,408. MSP Project funding (\$987,520) supports credit leverage programs for the MSP Project Coastal and Sierra/Selva Agriculture Programs. USAID's Microenterprise Innovation Project (MIP) funding (\$470,000), together with MSP Project matching funds (\$456,888) supports credit leverage programs for the MSP Project Microenterprise Program.

2) *EDPYME Support Program*

The second of the two CAP components is likewise designed to leverage credit for microenterprises and small producers by expanding and strengthening the financial intermediary capacity of NGOs and/or other organizations who are either transforming themselves into, or establishing, an Entidad de Desarrollo para la Pequeña y Micro Empresa (EDPYME). The EDPYME was structured by the Peruvian government to to improve credit access to small businesses through the formation or transformation of new or existing financial institutions with improved capital bases and lending systems. EDPYME's, as contrasted with traditional NGO financial intermediaries, are legally recognized by the Peruvian Government Superintendency of Banks and are subject to regulations regarding audits, minimum capital requirements and lending procedures. Usually, NGO's do not have required capital or organizational regulations and use multilateral grant funds to cover both their capitalization and operational needs. It is expected that some NGO's will convert to EDPYME's.

Under the component, USAID/Peru plans to "take advantage of a target of opportunity to assist in the establishment of a nationwide system of expanded microenterprise credit intermediation capability through dozens of grass roots organizations and influence policies and procedures now under discussion in order to make this system work better".³ Planned activities under the EDPYME Support Program include seminars, workshops and technical assistance designed to increase an awareness in, and an organizational capability to become, an EDPYME.

²MSP Project resources finance CAP activities in support of NGO financial intermediation for small agricultural producers in 10 MSP Project target areas. USAID's Microenterprise Innovation Project Prime Fund resources finance CAP activities in support of NGO financial intermediation for non-crop producing, urban Mes'in 11 target areas.

³Notification of Interest for Prime Fund Support under the Microenterprise Innovation Project (MIP) No. 940-0406, USAID/Peru, April 7, 1995.

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Total funding for the EDPYME Support Program is \$130,000 funded by USAID's Microenterprise Innovation Project (MIP).

2.3 PROJECT IMPLEMENTATION STRATEGY

The project implementation strategy for the non-financial components of the project (both agriculture-focused and microenterprise-focused) is well-designed. It provides for the following steps⁴:

1. Identify Market Opportunities:
2. Identify Producers
3. Initial Trials/Test Buyer Opportunities
4. Organize Producers
5. Provide Technical Assistance

In most cases, these steps have been carefully followed. In particular, certain agriculture subsectors and handicrafts have benefitted from rigorous adherence to these steps. Project Strategy for the Credit Access Program is quite separate. It will be addressed later in the report.

2.4 PROJECT IMPLEMENTATION AGENTS

The main project implementation agents and corresponding responsibilities are:

- 1) **Exporters Association (ADEX):** Private sector non-traditional export business association which has a Cooperative Agreement with USAID/Peru for the implementation of the following activities under the MSP Project:
 - Microenterprise Program
 - Coastal Agriculture Program
 - Sierra/Selva Special Program
 - Agriculture Productivity Improvement Program
 - Information and Documentation Center
 - Microenterprise Development Policy Panel
- 2) **Louis Berger International, Inc. (LBII):** Institutional Contractor to ADEX-MSP Project team under contract with USAID/Peru. Responsible for the following activities in support of ADEX-MSP:
 - Strategic Planning
 - Identification and Provision of International Experts
 - Market Promotion/Buyer Contacts
 - Credit Access and Anti-Poverty Lending Program
 - Monitoring and Evaluation

⁴Annex G, page 93, MSP Project Paper.

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- Environmental Training

3) **Agricultural Cooperative Development International (ACDI):** U.S. PVO which has a Cooperative Agreement with USAID/Peru to establish a pilot Caja Rural. Specific responsibilities include:

- Advisory and Technical Assistance Services to the "Cruz de Chalpon" Caja Rural in Lambayeque
- Agricultural Extension Services in Valleys where the Caja Rurales Operate through TechnoServe, an ACDI sub-grantee

SECTION 3

MAJOR FINDINGS

This section takes the general findings presented in the Executive Summary and breaks them down into specific findings by project component. Section 3.1 explores the findings with respect to microenterprise non-financial services. Section 3.2 examines the findings with respect to agriculture-related non-financial services and Section 3.3 presents the findings on the Credit Access Program.

3.1 KEY EVALUATION QUESTIONS RETROSPECTIVE ANALYSIS, MICROENTERPRISE PROGRAM

The Microenterprise Program is composed of the Artisans/Handicrafts subprogram, the ready-make clothing subprogram, and the footwear subprogram.

The Artisans/Handicrafts subprogram focuses principally on textiles (rugs and alpaca jackets), and ceramics and has its main centers in Lima, Cusco, Ayacucho, Huancayo y Cajamarca. The ready-made clothing subprogram is oriented towards the production of clothing for upper-middle and upper classes, currently being mainly developed in the area of Villa El Salvador, en greater Lima. The footwear subprogram will direct its production on leather, dress shoes and it will be implemented in the neighborhood of El Porvenir in the city of Trujillo. At the moment, its implementation is in suspension, owing to the legal intervention of the IC on the application of USAID funds.

Below, each issue raised in the Scope of Work (SOW) is taken in turn, again focusing on the Microenterprise Component of the MSP Project.

3.1.1 Strategy⁵

After reviewing the actions of the MSP in the field and the results of the two main components of strategy for each of the subprograms (ie. demand orientation and supply of high impact services), the evaluators found that the current strategy is quite adequate to fulfill the objectives laid out in USAID's Action

⁵The objective 2.2 of the Strategic Framework Plan FY 1995-96 Action Plan, within which is included the MSP establishes : "Increased Market Access for Microentrepreneurs and Small Farmers" ; being the indicators of verification :

- Change in volume of sales of targeted commodities
- Value of targeted goods sold
- Number of new markets for targeted commodities

Objective 2.3 of the Strategic Framework Plan FY 1995-96 Action Plan, within which is included MSP establishes: "Increased Productivity of Microenterprises and Small Farms" ; being the indicators of verification:

- Av. % change in yield per ha. of targeted crops
- Av. % change in volume of sales of targeted commodities per worker
- Number of women and men using project promoted improved practices
- % of loans repaid on schedule (disaggregated by sex)

Plan. Nevertheless, the delays in implementing some of the applications — caused by the change from ETD to MSP and by factors exogenous to the Project, show that it is necessary to adjust the time frame and goals of the Project, in the form presented in the following analysis.

3.1.1.1 Demand Oriented

In order to fulfill a demand-side orientation, the implementation strategy of the MSP makes provision for⁶: 1) the identification of market opportunities, 2) the identification of producers, and 3) an intake test of potential buyers.

1) Identify market opportunities. The MSP, despite its short period of implementation, is having success in attuning its project implementation to the official strategy; for several products markets have been identified and firm order placed.

In the handicraft sector, the initial goal set was "to begin penetration of the US market with important export volumes"⁷, for which MSP has a data base of 550 American importers, and several activities were carried to create new market opportunities.

In ready-made clothing, given the delay in implementation of this subprogram, the identification of market opportunities is barely beginning. The strategy is based on the "Diagnóstico del Sector Microempresarial de la Confección" (Microenterprise Ready-Made Clothing Sector Diagnosis), in a database of 586 sale points in upper-middle and high class districts and a study of the training needs in Peru's ready-made clothing sector, carried out by Mike Saltzman and Luz Pascal of the Fashion Institute of Technology of New York.

In footwear, following a visit by a Brazilian expert contracted by the PAP/USAID Project in April 1994 and in contrast to an IESC market study in 1989, the MSP determined to implement its actions in the neighborhood of El Provenir in Trujillo, the place and city in which there is the greatest concentration of small producers of footwear in the country. In addition, a shoe expert, Mr. Charles Willis, was contracted through the IESC, and he carried out an investigation of potential exporters in Trujillo, and he prepared a workplan for the implementation of the program.

⁶ Annex G, p. 93 MSP project paper.

⁷ Microenterprise Program 1995, MSP, page 4.

⁸ Actions: a) a "How to export handicrafts to the american market" course; b) in April 1994, a delegation of 18 major american buyers visited Peru, for whom a show of 21 companies gathering 4000 artisans was prepared, showing products especially designed for the effect; c) between September 21 and October 7, 1994 six designers visited Peru, in order to develop new products aptly designed for the american market taste, d) on October 26, 1994, a meeting with designers of AID TO ARTISANS was conducted in Connecticut, in which there was an evaluation of developed products, e) on November, 1994 there was a workshop with 2 experts in ceramics and weaving in order to face the challenge of the New York International Gift Fair; f) in January 1995, 16 companies participated directly at the New York Gift Fair g) between April 30 and May 13, 1995, officers of the MSP Project visited North Carolina, Connecticut and Miami, to contact buyers; and h) in August, 1995, the MSP represented 12 companies at the New York Gift Fair.

2) Identify producers. The identification of producers was carried out, based on the established pre-requisites to become MSP clients, that is, to be microenterprises with growth potential and orientation towards the markets identified.

In handicrafts, the producers should be working with some sales points and or be able to work with them. Through this system, a target group of artisans was identified and subsequently the MSP contracted the "Encuesta de Talleres Artesanales" (Survey of Handicrafts Workshops) by Consorcio DEBASE-CDI for the preparation of a baseline study for monitoring purposes.

In ready-made clothing, the MSP is working in Villa el Salvador, a marginal urban zone with very poor residents, in which the largest industrial park for small enterprises is located, and in which a good number of small ready-made clothing enterprises are located. It is there that the producers for the PILOT PLAN were identified for strengthening of their productive capacity. Later on, the program will be opened to a large number of workshops in the same district as well as in San Juan de Miraflores.

In the footwear subsector, the selection of participant producers has not yet been made.

3) Initial/test Buyer Opportunities. In the handicrafts/artisan sector, design and new product support has been given in new lines oriented towards markets of greater demand. This is based on the potential export volumes of the selected group, after which the products were presented in fairs and buyer contacts were made. At the time of the evaluation there were already some sales results. In traditional products, no support efforts have been made as they are in saturated markets. In order to strengthen relations with North American buyers, the MPS has been working for several months on the contracting of marketing experts from SISCE.

In ready-made clothing, a sample collection of products was produced with the support of the Gabinete Técnico (Technical Office) and a buyer test process has been started, achieving good results with the first products.

In footwear, nothing has yet been done. The actions will be focused on the identification of buyers in the U.S. market, which is estimated to consume more than 1000 millions pairs of footwear per year.

Despite MSP's focusing its actions on demand, the systems of planning and control of real demand, in sales/purchasing, new producers and employment generation, there are still weaknesses in the actions, and the current personnel is insufficient to administer this work.

The main strengths and weaknesses observed are:

TABLE 1
DEMAND ORIENTATION IN HANDICRAFTS

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> - Redirection of products with greater potential markets - Specific actions to contact buyers (trade fairs, etc) - Identification and contact with new buyers - Concentration in few product lines - Supply capacity verified 	<ul style="list-style-type: none"> - Weak system in follow-up actions - Weak system of management, control, follow-up and evaluation of results in producers, products, markets and buyers. (MSP clients) - Limited human relations to achieve many tasks in microenterprises program

TABLE 2
DEMAND ORIENTATION IN GARMENTS MANUFACTURE

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> - Professional ability in MSP to identify products and buyers - Existence of CID-ADEX as a tool for support and orientation of project demands. - High public image of MSP in the market capable of getting the attention of buyers 	<ul style="list-style-type: none"> - Low activity of relationships with buyers/producers. - Weak system of management, control, evaluation and follow-up according to implementation strategy of MSP.

3.1.1.2 Provision of High Impact Services

For the provision of high impact services, the MSP strategy calls for 1) the organization of producers and 2) the provision of TA within the MSP implementation strategy.

1) Organize Producers. Before giving TA, coordination is carried out with the producers. In handicrafts, the actions are carried out through retailers, through an NGO (COORDINADORA RURAL), and through producer organizations, in order that specific covenants be signed. In ready-made clothing, as it is a pilot program, action is taken directly with the Gabinete Técnico with the 12 enterprises selected; however, this approach will change once the Gabinete is transferred to an NGO to widen the program). In footwear, no activities have yet been realized.

2) Provide Technical Assistance. The evaluation team was able to verify that the activities carried out by the MSP in TA with American, Colombian, and Peruvian experts are excellent. The evaluator, when visiting the zones in which the Project is working, was able to see that there is a general

acknowledgement of the MSP, above all of the quality of the TA services that are being provided and of the experts contracted.

In handicrafts, training and technological transfer activities have been developed, especially in weaving, en alpaca jackets and in ceramics. In ready-made clothing, TA is given to the 12 selected workshops through the Gabinete Técnico which has been established with the advice of Colombian experts. These actions will later on be transferred by agreement to the NGO CEPI, which will allow the widening of actions to a larger number of producers.

The principal weakness of the TA system is that levels of subsidy have not yet been defined, nor does a system of service costing exist. Therefore, the system of administration, control and follow-up still do not allow for measuring the effectiveness of these services in relation to the expected results.

TABLE 3
PROVISION OF HIGH IMPACT SERVICES IN HANDICRAFTS

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> - Human Relations and advisers of high levels of qualification and specialization - Clients very much interested in services provided - Demand for this services - Services adequately designed to the needs of clients 	<ul style="list-style-type: none"> - Weak orientation of services to results in sales and employment - Weak system of evaluation over cost/benefit of investment in provision of services

TABLE 4
PROVISION OF HIGH IMPACT SERVICES IN GARMENTS

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> - Human Relations and advisers of high levels of qualification and specialization - Services of high quality - Human Relations committed to the development of services - Demand for these services - High image of MSP to leverage the services with more clients, especially NGOs, trade unions and major buyers 	<ul style="list-style-type: none"> - Services concentrated in few clients and there is no leverage system - Weak orientation of services to results in sales and employment - Weak system of evaluation over cost/benefit analysis of investment in services provided - Difficulties in fulfillment of project goals if the scheme and implementation datelines are maintained

3.1.2 End-Of-Project Status Objectives

By what has been reviewed and given the delays in the implementation of the subprograms of ready-made clothing and footwear, and for the weakness of results, it will be difficult that the EOPs be fulfilled. Also, the MSP still does not have a working definition for sustainability since it was not part of the requirements of the ETD. As already presented in this section, the services do not have a cost analysis and the levels of subsidy have not been defined that it is expected will be maintained during the life of the Project; for example, 100 percent year one, 50 percent year two, 25 percent year three, etc.)

The MSP prepared the following plan for 1995 for the microenterprise program:

TABLE 5
MICROENTERPRISE PROGRAM — 1995 PLAN

ITEM	HANDICRAFTS	GARMENTS	SHOES
Sales	2,000.000	1,000.000	200.000
Employment(increase)	1.500	80	80
Organizations	3	1	1

The October 1, 1994 - March 31, 1995 SAR reports sales of \$256,500 in handicrafts; while an internal report dated August 30 by the person in charge of handicrafts, reports sales of US\$460,734 in 1995 and projects total sales negotiations in process for US\$ 1,333,034 para 1995. On the other hand, memo LBII1650, of 24 August, 1995, estimates that the 1995 sales will be \$2 millions in handicrafts y \$500,000 in ready-to-wear clothing.

This shows that during 1995 it will be difficult to meet the main goals, partly because of implementation delays and partly due to the weak "culture" focusing on existing processes at the beginning of the project. Nevertheless, this also shows that the MSP — despite these limitations, is a project that is facilitating the increase of sales among its target groups, and therefore, the fulfillment of the objectives laid down.

According to the financial information⁹ and the results¹⁰ expected (see table), the budget assigned to the microenterprise program, is similar to that of the agricultural programs. The budget used between January and June in the subprograms of ready-made clothing, handicrafts, and footwear, report expenses of 300,361.07 soles, for the support of 40 producers of ready-made wear, 600 in handicrafts and none in footwear —as this subprogram is in a pre-operational phase.

⁹MSP Budget AID implemented Jan-June 1995.

¹⁰Memorandum LBII-1650-95, Information by MSP programs.

TABLE 6
EXECUTED BUDGET JAN-JUN 1995/ RESULTS MICROENTERPRISES PROGRAM

EXECUTED BUDGET JAN- JUN 1995		PRODUCERS PARTICIPANTS	TOTAL SALES EXPECTED	SALES ACHIEVED
Personnel	111,650	----	----	----
Garments	186,970	40*	500,000	N/A
Handicrafts	149,087	600	2,000.000	460,734**
Shoes	73,181	0	0	N/A

* Estimated workers in the 12 workshops supported

** Reported by responsible artisans

This figures are initial ones, with the project recently in an implementation phase, and are therefore not of high significance. Nevertheless, they do allow one to make a first cost-benefit analysis of the interventions and therefore should be used as results monitoring instruments. Upon reviewing the table, it can be noted that the ready-made clothing program seems to be more costly and less effective than that of the handicrafts, since it has a higher investment (s/. 186,970), but supports a smaller target population (40 persons).

On the other hand, the budget assigned to the microenterprise program is similar to that assigned to the other programs. The increase in sales expected is 96 million in the agricultural sector, 15 million for ready-made clothing, 15 million for handicrafts, and 18 million for footwear. In the agricultural sector the generation of 24,000 jobs is estimated, in ready-made clothing 1,500, in handicrafts 10,000 and in footwear 5,000. In relation to the results being obtained and later to an analysis of costs, it will be necessary that the MSP review these goals and the resources assigned to each subprogram.

The MSP has a weak "culture" and focus towards results, since the Strategic Planning system and the administrative systems do not encourage such a focus. It has been determined that analyses such as those presented in the foregoing table do not exist. The principal strengths and weaknesses in result-focusing of the MSP are:

TABLE 7
RESULTS ORIENTED IN HANDICRAFTS

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> - Permanent contact with buyers and producers - High level professional team well motivated for the achievement of results - Enterprises and artisans interested in the project - Buyers are placing orders 	<ul style="list-style-type: none"> - Lack of homogeneity in a culture of results - Little time allowance of human relations for management and control of results - Lack of a system of management, control, evaluation and follow-up based on results

TABLE 8
RESULTS ORIENTED IN GARMENTS

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> - Ability in MPS to get results. - Highly professional and motivated team for the obtention of results - High quality advisory team and experienced in each specialization 	<ul style="list-style-type: none"> - Lack of homogeneity in a culture of results - Few time allowance of human relations for management and control of results - Lack of a system of management, control, evaluation and follow-up based on results

3.1.3 Targeted Sectors and Products

The strategy of the MSP for sector and product selection in the three subcomponents of the Microenterprise Program (handicrafts, ready-made clothing and footwear) is adequate and is based on the importance of these sectors in the economy, the participation of microenterprises in each of them and the generation of employment among the marginal population. Nevertheless, the refocusing of the Project towards actions that link the poorest groups requires great efforts and concentration on the firming up of actual sales of the selected products in order to show the impacts in this target group (the poor). As the current coverage is still small, it is very possible that the MSP needs more time and more resources to achieve the goals forecast. The analysis of this strategy is as follows:

In handicrafts clients have been selected through two of the most actives wholesalers, through and NGO and directly with the artisans that have shown the greatest interest en the services. Activities have been concentrated in some product lines; namely, alpaca jackets, rustic weaving, ceramics and some other items found to be potentially competitive.

In ready-made clothing, 12 microenterprise workshops have been selected, and they are being worked with as a pilot project. It is estimated to widen this coverage to more than 100 workshops with the same methodology. Products have been designed with great potential and samples have been produced to help their promotion; currently being in a phase of active sales promotion.

To leverage the resources in handicrafts, agreements have been signed with exporters and an NGO. In ready-to-wear clothing, negotiations are underway with NGOs. In addition, one expects the leverage of credit resources to assist the production of the clients; given the demand is still small, large credit resources have not yet been required. In the future, as demand expands, the MSP will have to take greater part in coordination of financial services with the microenterprise support actions so that they can facilitate rapid expansion of production, be it through direct credit to the artisans and clothing makers.

3.1.4 Key Outputs

The indicators established in the logical framework are many, and some of them, instead of facilitating the focus on results, makes the project work in a process-oriented fashion. In order to find put the fulfillment of the indicators established by the new Action Plan, the control systems still do not include mechanisms and levels of responsibility for the collection of information at client level, of the change in

sales levels of the selected clients; value of the products sold, percent of production growth by unit produced, changes in sales volume per product/worker, nor the number of workers by gender, what is the benefit of the project, what are the principal indicators of the defined measurement.

The current administrative and reporting systems, as foreseen by the agreement, put the emphasis on compiling information on the number of seminars, the number of participants, the number of subcontracts signed, etc. This causes the main energies to be concentrated on the generation of process information, leaving little time to spend on the results-causing actions; such as sales increases, employment and wages, leveraging of resources and results with other agents, intervention costs and sustainability. The plan's control system does not have simple reports with basic indicators, in agreement with the needs of each manager and area, so as to measure results as an effective control instrument that facilitates in the manner Drucker says "a plan is not made to be fulfilled, but to act upon when it isn't being fulfilled."

However, the efforts that the IC is making in implementing the M&S y el MIS in agreement with the requirements of the agreement should not be ignored. Nevertheless, it is necessary that USAID, ADEX and the IC clearly define the principal indicators that should be within their control and the most effective system for this system of control to facilitate the administration of the MSP at every level and in relation to the scheduled outputs.

3.1.5 Institutional Mechanisms and Project Management

Within what the evaluation team has been able to grasp, the administration of the various managements is outstanding, for their capacity, professional quality and dedication to human relations in all the areas. This has permitted the building of a work team and an effective institutional external image.

Given that the Project is recently in its first phase of implementation, and considering that it is not a previously structured institution, weaknesses exist that must be adjusted in order to facilitate administration and better the team effectiveness with the high level of motivation and capacity that the MSP has at hand. Even though the area managers are fully aware of the results to be achieved and the limited time for same, the administration systems that are currently being used need to be reinforced; the official MSP organizational chart is up to date, the design of an operating manual is in process, etc.

As the organization chart is not updated, there are gaps in the line and staff functions; the Executive Advisor Committee (EAC) foreseen on p. 9 of the Project Paper has not been put into action and it is not known if it will be kept as an instrument of direction and focus of the policies and strategies of the MSP. Nor is it clear if the MSP Manager (ADEX) is at the same level as the IC, nor how the relations of the IC are managed with the rest of the MSP. This has impeded that fluid relations exist; officially there is no coordination tie-in between the various managements, ADEX and the IC. Even when meetings periodic coordination are held, minutes and agreement mechanisms are not produced for the follow-up of what has been agreed upon.

The interview with the President of ADEX made clear the importance that the Project represents to the institution and the commitment that ADEX has with it. In this sense, and considering that the services that the MSP are developing are very important for microenterprises, it is necessary that USAID and the implementors discuss the future of these services and the possibility of keeping them going once the Project is over.

3.1.6 Monitoring and Evaluation and Management Information Systems

The MSP and especially the IC have carried out an important effort in the development and implementation of the M&E and the MIS, given the USAID requirements; abundant information has been compiled and databases and tables have been generated that have required a great deal of quality work by the teams handling these areas.

These systems report large amounts of process information, but they don't prioritize a selection of information as relates to the basic indicators of the Action Plan nor of the MSP; this is to say, sales, employment, incomes, productivity, strengthening of intermediary institutions. Neither do they have mechanisms to monitor and evaluate the cost-effectiveness of actions taken, nor for the costing of services by which to measure the results in soles or dollars invested in each activity or in each subprogram.

The concept of sustainability is a new concept for the MSP and it still lacks definition and the design of a strategy for its fulfillment, this being one of the reasons that it has not yet been incorporated in the current system.

3.1.7 Information and Documentation Center

The evaluation team, after having interviewed the principal players in the MSP, was able to deduce that it has developed very few activities in relation to the CID. An impasse existed between ADEX and the MSP which didn't permit activities to be carried out during this year. This should be overcome starting from the selection of a specialist Manager in the CID who will work in direct coordination with the Project.

Despite all this, during the period evaluated, the CID supported the MSP bulletin, thereby facilitating specific information, especially on markets in which the clients of the MSP and various institutions converge in their interests.

3.1.8 Cost Recovery

The MSP charges for its services, but the income is insignificant towards its sustainability. Currently, there are discussions about defining an adequate cost recovery mode, but this is going to require an agreement between USAID and the implementors, thereby allowing the subsequent elaboration of a strategy for its fulfillment.

3.1.9 Project Strategy

A change of project strategy is not needed as the original one is well conceived. What is needed is to put greater emphasis on developing and internal "result-oriented culture" as relates to the objectives and the target beneficiaries, and to strengthen the existing M&E and MIS systems. In the CID strengthening is needed too in order to generate and facilitate results information to the different operative areas.

Judging from the results accomplished to the moment, it may be possible to achieve the goals foreseen by extending the project period on the condition that the result-oriented culture and betterment

of admin systems are put in place. Also, a short evaluation at the end of the second year of implementation may identify progress in these areas.

The introduction of a formal strategic planning system, from the ground up, may also lend itself to strengthening the MSP and building on the results achieved to the moment.

3.1.10 Implementation of Project Activities

Activity implementation has some suffered delays, particularly in the footwear program. Therefore, it is important to define this component as soon as possible if it is to be implemented, since this factor affects the general results of the program.

In handicrafts, emphasis should be put on the firming up of sales and on the follow-up mechanisms of activities carried out. For this, it will be necessary to reinforce the program personnel as it has grown and the current personnel is not sufficient for the demand of results to be achieved. Negotiations with the IESC for a contract to supply marketing advisors should be speeded up, thereby giving greater push to the program.

In ready-made clothing, a quantitative leap should be made in the application of methodology through the "Gabinetes." Also, greater emphasis must be put on making firm sales and getting firm orders with the various buyers in wholesaling and retailing businesses for the assisted workshops and for those to be assisted. The signing of agreements with intermediary NGOs should be speeded up in order to better coverage, since the small number of workshops now being supported is inadequate to meet the goals projected.

In footwear, it is important to define as soon as possible if this component can be implemented or not since it affects the general results of the program.

3.1.11 Resource Allocation

In the microenterprise program, up to the moment there have been no problems in accessing credit; nevertheless, as has need noted in handicrafts, as results and demands increase, the MSP clients will require urgent access to financial resources. Therefore, it is very important that the MSP accelerates negotiations that facilitate credit access for artisans and other MSP client firms, to be done in coordination with the operating areas.

The current strategy developed to manage financial resources seems to be quite adequate (please see relevant report); nevertheless, given the coverage of the program, actions in at least each of the areas of action of the microenterprise program are going to be needed in order to facilitate achievement of the results of non-financial services.

3.2 AGRICULTURE PROGRAMS

The agriculture program consists of two primary programs and associated product areas as follows:

- 1) Non-traditional Coastal agricultural area with sweet yellow onions, dried legumes (beans & peas), mango, key lime, and garlic products. Asparagus was officially deleted on June 30, 1995 due to lack of cooperation from the agro-industrial sector to help recuperate production areas affected with fusarium fungus from irrigation waters.
- 2) Selva and Sierra Regions Special Program with cacao, coffee, Malaysian shrimp, yellow potatoes, alpaca products and Andean grains (Quinoa) products.

The above products were confirmed as having *proven market demand* based on market studies and commercial information. Potential buyers were identified, and then interested producer associations, agricultural foundations, and other grass roots organizations were contacted to assist in the delivery of technical assistance programs to improve productivity, quality, and cost management.

Project assistance programs provide *relevant, high impact services through leveraged resources* such as technical assistance groups, grower committees, producer associations, and agricultural foundations. Notable and significant progress and results were witnessed in the areas of limes, mango, menestras, coffee and potatoes as a result of technical assistance provided and implemented through these organizations.

SOW Issue 1: Strategy

The overall strategy of concentrating on demand-driven markets with results-oriented, relevant and high impact services conducted through leveraged resources to targeted clients and products appears to have been implemented effectively and is developing results, but the attributable portion of these results to project activities must be discerned. Although market studies exist for the majority of products, one has to question the importance placed in the 1995 Work Plan budget for products such as quinoa, alpaca fiber, and shrimp compared to their projected contribution to the increase in sales (see Table No. 9). The lack of sufficient agricultural credit which is available, accessible, and affordable has delayed the expansion of smallholder farmers into targeted products even though production methods with proven technology has been demonstrated to small producers and improved seeds or rootstock have been made available to them. This lack of credit has had the most impact in the area of dried legume production, where only 410 hectares of a planned 8000-10000 hectares have actually been planted in 1995, although another planting season is yet to be realized before the end of the year.

The program is adequately responding to the USAID/Peru Strategic Objective No. 2 of involving the "poor majority" in the economy as demonstrated by the organizations and institutions involved. Some examples are Fundacion Hualtaco technical assistance to small growers of mangoes, limes, and dried legumes, many of whom farm parcels of less than 2 hectares. Others are the Andahuaylas Association of Agricultural Seed Producers (APASA) growing yellow potatoes, the Central Selva Regional Association of Coffee Growers (AREPCA), and the Association ADASFVI in Supe producing yellow sweet onions. The small producers in these programs have traditionally been neglected in terms of receiving directed technical and marketing assistance, but through the MSP Project are now benefitting through the formation of "technical assistance groups", "comites de productores", and other grass roots organization receiving technical cooperation from the MSP. Through other grass roots organizations mentioned throughout this

report, the MSP Project has reached 476 groups and 2912 smallholder farmers or producers in the Coastal, Sierra, and Selva regions of Peru up to the date of this evaluation (see Table No. 14 - MSP Project Monitoring and Evaluation Report dated August 31, 1995).

In respect to the question of transition from the ETD Project strategy to the MSP Project and building on its successes, it should be noted that the ETD Project did not have a Credit Component and that targeted products and clients are substantially different. Nevertheless, the transition was aided by the fact that the core technical and administrative team was intact and familiar with the work to be accomplished. Some aspects however, such as the Monitoring and Evaluation System, had to be reconstructed from scratch. It appears that the MSP Project strategy did indeed build on the ETD Project strategy of identifying market-driven, demand proven products with potential for export sales. Mangoes, sweet onions, dried legumes, coffee, and yellow potatoes either already have production volumes with quality standards to satisfy established export clients requirements or soon will have as a result of the MSP Project efforts.

SOW Issue 2: End-Of-Project Status Objectives

The MSP Project management prepared a detailed Work Plan for the 1995 calendar year, projecting the annual results to be achieved as shown in Table 9 below:

TABLE 9
KEY OBJECTIVES ENVISIONED BY PRODUCT AREA FOR 1995

Crop	Sales in \$US Thousands	Employment	Groups Formed	Hectares
Dried Legumes	2,834.00	1,938	30	8,000
Onions	2,100.00	158	4	250
Mango	450.00	76	18	600
Key Lime	270.00	67	16	600
Garlic	245.00	36	8	550
Quinoa	304.12	170	40	270
Potatoes	1,650.00	150	6	200
Alpaca Fiber	408.50	320	2 (herds)	3,200
Coffee	957.60	180	78	1,400
Cacao	121.90	109	82	848
Shrimp	446.40	28	5	19
Total	9,787.52	3,232	289	15,937

With regard to these figures, note that no clarification was made in the 1995 Work Plan as to the basis to be used for calculating or verifying the value of sales made, e.g. FOB, FAS, CIF, Farmgate, delivered to Factory, or Collection Point (Centro de Acopio) basis. Furthermore, doubt exists on the method for determining the number or type of employment positions generated, e.g. full-time vs full-time plus seasonal jobs. The Sierra/Selva Special Program has adapted the full-time equivalent basis method for calculating employment positions generated, using 6 hour work days (jornales) and 224 work days (jornales) per year as equal to a full-time job. During discussions held with the MSP Project staff and USAID officials, it was decided that sales values should be based on FOB values for exported products and farmgate values for locally marketed products. Furthermore, USAID is measuring employment generation based on equivalent full-time jobs.

After eight (8) months of project program activities, the following results, as shown in Table 10, were reported on August 31, 1995 by the Monitoring and Evaluation Department which operates under the supervision of the Louis Berger International, Inc. Institutional Contractor.

TABLE 10
RESULTS TO DATE OF KEY OBJECTIVES BY PRODUCT AREA

Crop	Sales in \$ US Thousands	Employment	Groups Formed	Hectares
Dried Legumes	447.344	174	26	360
Onions	5,494.424	248	7	251
Mango	892.616	27	9	102
Key Lime	702.000	24	5	90
Garlic	788.000	131	11	273
Quinoa	-0-	-0-	-0-	-0-
Potatoes	1,159.091	229	n/a	320
Alpaca Fiber	-0-	n/a	320	n/a
Coffee	1,857.830	668	71	1,340
Cacao	153.420	46	26	2,948
Shrimp	-0-	n/a	1	n/a
Total	11,494.725	1,567	476	5,684

The above sales amounts are projections based on estimated hectares to be harvested, anticipated yields per hectare, and projected sales prices. In most cases (exception of legumes, onions, coffee and cacao) the projected sales are not based on attributable Project activities, but total sales attained. Systems and procedures need to be developed and implemented to measure the increase in yields, quality, and sales price due directly to program activities such as technical assistance, improved seeds or varieties provided to producers, post-harvest management, and marketing services. Since check plots were conducted along with demonstration plots for different products, at least in the Coastal program, this should be relatively easy to measure.

Contrary to the projections made by the MSP Project staff which differ from projections made in the project paper, it is the opinion of the evaluators that the EOSP targets for the MSP Project are not realistic, neither in terms of sales increases nor in full-time employment to be generated, and that these principal purpose-level objectives will not be reached at the projected levels by the PACD. This can be seen by reviewing the information in the Table 11.

TABLE 11
PROJECTED ANNUAL AGRICULTURE SECTOR SALES (\$ US MILLION)
PER USAID PROJECT PAPER
(Annual Sales as Result of Productivity, Quality Gains, & Market Expansion)

Product	1994 Baseline	1995	1996	1997	Increase	Accum.
Dried Legumes	1.40	2.8	7.3	22.5	21.10	28.40
Key Limes	11.20	12.4	15.2	18.8	7.60	12.80
Garlic	8.30	9.1	10.3	12.4	4.10	6.90
Mangos	5.40	6.5	7.8	9.1	3.70	7.20
Onions	0.04	0.2	0.7	4.8	4.76	5.58
Coffee	0.60	0.7	0.9	1.2	0.60	1.00
Cacao	0.13	0.2	0.2	0.3	0.17	0.31
Total	27.07	31.9	42.4	69.1	42.03	62.19

Note that the above projections omit asparagus sales, since this product was stopped on June 30, 1995. It should also be noted that these projections do not include the Microenterprise products, nor the other ag products being assisted, such as potatoes, shrimp, alpaca, and quinoa. Furthermore, the projections are not consistent with sales results being projected for 1995, especially in limes, mangos, and garlic.

Initial results and projections indicate that the MSP approach will *only* be viable if sufficient agricultural credit is made available. On the other hand, considering the allocation of USAID and PL 480 Title III funds by product, it can be seen that some expenditures may not be cost-effective in the short or long-term. It is predicted by the evaluation of the Credit Access Program that *insufficient* credit will be available to satisfy the Work Plan objectives. This insufficiency of credit may not be due to the availability of credit, but more likely due to either accessibility or affordability. It is the opinion of the Credit Expert that the MSP Project will encounter substantial problems in mobilizing sufficient amounts of credit to meet the financial requirements of clients. This failure to mobilize sufficient amounts of credit will most likely be linked to organizational deficiencies, e.g. insufficient staff and resources.

Shown below in Table 12 is a comparative analysis of projected sales by product, the budgeted amount to be spent per product, and the consequential projected cost per thousand dollars of sales. In effect, this serves as a rough cost-benefit analysis. Notice that in one case (cacao), the cost of producing sales is three times *higher* than the sales generated. In other products (key lime, quinoa, and alpaca fiber), the cost per thousand dollars of sales generated is close to a thousand dollars, exposing products with a poor cost/benefit return and therefore worthy of examination as to the level of funds appropriated for development of these products. It is recognized by the evaluation team that an inordinate amount of cost is encountered in rehabilitating some agricultural products, and that this initial investment should result in higher sales at a later date, with lesser additional investment required. The problem with this approach is more directly related to the timeframe of the project, e.g. only less than two years remain before PACD.

Will adequate results be measured before the PACD? Are these investments more related to achieving socially important impact in very rural, very poor geographic areas traditionally neglected? If so, this should be more clearly identified in the implementation strategy and additional EOPS indicated.

TABLE 12
FINANCING SOURCES FOR 1995 AGRICULTURAL PROGRAM BUDGET
AND THE COST PER \$US THOUSAND OF PROJECT SALES

Crop	Sales \$ US Thousands	1995 Budget \$US Thousands	Cost per \$US Thousand of Sales
Dried Legumes	\$2,834.0	\$967.092	341.25
Onions	2,100.0	108.407	51.62
Mango	450.0	195.779	435.06
Key Lime	270.0	268.830	995.67
Garlic	245.0	97.954	399.81
Quinoa	304.12	265.184	871.97
Potatoes	1,650.0	247.058	149.73
Alpaca Fiber	408.5	310.630	760.42
Coffee	957.6	550.942	575.33
Cacao	121.9	371.126	3,044.51
Shrimp	446.4	27.655	61.95
Total	\$9,787.52	\$3,410.657	348.47 (Average)

The above budgeted amount per product is the official ADEX 1995 budget combining USAID and PL 480 Title III funds and includes all costs, direct and indirect (e.g. salaries, travel, office support, etc.). It is recognized that some benefits in terms of sales will accrue in later years as a result of beginning activities and due to the production cycles involved. It is necessary to perform a similar analysis for the remaining life-of-project budget to determine if changes are required now. It should be noted that the Sierra/Selva Special Project staff have done this. It should also be noted that after presenting this Table for review by the MSP staff that doubt exists as to the accuracy of the budget breakdown by product.

The MSP Project can be strengthened in terms of reaching EOPS objectives by immediately reviewing program and product costs and projected returns based on real results and activities to date. Furthermore, a redirection of emphasis from andean grains and alpaca products to leveraging the results to date from onions and coffee and focusing on complementary true proven market products such as chick peas for the Sierra in rotation with potatoes and dried legumes in rotation with onions will better utilize existing technical services and marketing systems, resulting in an in-house leveraging of resources.

SOW Issue 3: Targeted Sectors and Products

The MSP methodology for targeting high impact products and subsectors is adequate, but as discussed above, not necessarily adequately implemented. It is doubtful if the resources available, both financial and human, are expended on a balanced basis between the targeted clients, as demonstrated in Table 12 shown above. There does not appear to be a good balance between non-financial and financial services. For example, there is a total funding of about \$1.9 million, of which *none* is actual credit to be extended for product development.

Considering the 1995 budget figures provided by ADEX compared to the results to be attained per sector, one could argue that the funds are not exactly balanced. For example, 34 percent of the budget is directed towards the Microenterprise sector which will produce only 24 percent of the total sales. Results to date of sales in this sector are extremely deficient. The implications of the Project's recent decision to place more emphasis in developing new products and targeting areas of extreme poverty in the Sierra and Selva, e.g. andean grains and alpaca products, are yet to be determined but from the evaluation team

standpoint do not appear to be in line with the two key indicators of success for the Project (High Impact Increase in Sales and Employment). Based on the Agricultural Experts experiences in Ecuador in an USAID financed Non-Traditional Agricultural Export development project, limited markets exist for indigenous products such as Quinoa and Alpaca products. The time and expense involved in achieving high impact results do not demonstrate a good cost/benefit ratio. Previous experiences should be considered.

SOW Issue 4: Key Outputs

The Project has made substantial progress towards meeting the majority of the key outputs established in the logical framework. Deficiencies exist in the areas of improved financial services and improved policy and regulatory framework, the latter apparently receiving little if any attention by the participating institutions and organizations, including ADEX/MSP. It is worthy to note that the ADEX organization itself is actively involved in trying to shape government policy, especially in reference to improving the monetary exchange rate to improve the competitiveness of export-oriented products.

The achievement to date of these outputs is laying the foundation for partially achieving the purpose-level objectives (EOPS), which are felt to be not totally realistic within the constraints of the Project, e.g. elimination of important products such as asparagus, lack of sufficient accessible credit, slow start-up in some product areas, and institutional/organizational weaknesses that may affect future results.

SOW Issue 5: Institutional Mechanisms and Project Management

Generally speaking, the various agricultural program managers have been very effective in implementing Project activities. The various institutions/organizations such as ADEX and LBII have been fairly effective in managing the Project, but improvements in tracking expenditures by product/sector, balancing the resources by product/sector, monitoring and evaluating results, and beginning timely and effective planning for sustainability all need more focused attention. Little progress has been made in integrating the MSP objectives into the objectives of the ADEX organization, but this activity may begin once the MSP Project is housed in the new offices of ADEX. There appears to be good coordination and relations between the Institutional Contractor and the ADEX staff.

SOW Issue 6: Monitoring and Evaluation and Management Information Systems

Much has been said throughout this evaluation regarding the effectiveness of the Project's monitoring and evaluation systems, as well as the management information system. The topic was revisited after presenting the evaluation de-briefing results to the MSP Project staff and receiving their feedback. Nevertheless, there still exists considerable concern on the part of the evaluators as to how effective these systems have been. Of special concern is the delay in establishing accurate and reliable baseline "photos", some of which are not yet complete and some just finished. During the period January through June 30, 1995, baseline studies had been completed for onions, dried legumes, garlic, yellow potatoes, shrimp, mangos, andean grains, and alpaca. Products lacking a baseline study one year after Project activities had begun were key limes, coffee and cacao.

Considerable discussion was held regarding the monitoring and evaluation system of the MSP Project. The opinion of the evaluation team is that the system as exists does not fully aid in the management of the Project in terms of tracking and measuring real increases in product sales and employment generation.

There also exists some difference of opinion between Project management and the evaluators in the purpose and methodology for establishing baselines. For example, it is this evaluation team's opinion that the baseline for new products to be introduced by the Project, e.g. sweet yellow onions and new varieties of dried legumes, automatically begin with a Zero (0) baseline and all increases in sales and employment in these areas are 100 percent attributable to the Project. Therefore there exists no reason or method to conduct an exhaustive study of these products. In the case of the other products, the baseline will consist in a measure of productivity (see page 90 of Project Paper dated 9/27/94, Increase in Yields) and increase in sales (see page 91 of Project Paper dated 9/27/94, Projected Agriculture Sector Results, Increase in Sales). There is no need nor purpose in measuring the individual client level of income prior to beginning participation in the Project services, as results are to be measured by product/sector in terms of *increase in sales and generation of employment from Project activities*. In the case of existing traditional crops, the baseline is productivity levels, producers and their employees, and sales conducted by product prior to receiving project assistance. Working through the identified and selected grass roots organizations and using proven and acceptable statistical sampling methods and government data, baselines could have been established in a relatively short period of time. In the opinion of the agricultural expert, the MSP Project monitoring and evaluation department consumed unnecessary time and expense trying to measure *individual client baselines including personal income*. It is highly questionable if this factor is a measurable EOPS objective of the Project.

Otherwise, the Evaluation Team agrees with the descriptions, purposes, and quality of the M&E and MIS systems operations to date. The only final comment regarding this area is to encourage more focus on progress of attaining results and less on miscellaneous activities which are more management tools than results in themselves.

SOW Issue 7: Information and Documentation Center

Sufficient time was not available to investigate this area as it pertains to the agricultural sector. The topic was evaluated for the ME sector. Please see comments in that section of this report.

SOW Issue 8: Prospective Analysis of Cost Recovery

Initial efforts at cost-recovery of services in agricultural programs are perhaps more advanced than is recognized, and need to be better monitored and documented. Costs associated with seed production, demonstration plots, trial plots, seminars, technical manuals, and market development are identified and recovery is intended. Perhaps the establishment of "special accounts" for depositing and managing recovered costs would assist in clearly demonstrating and measuring these efforts.

Stronger efforts in promoting the value of the services and products delivered will certainly assist in recuperating expenses incurred. If not done so now, a printed circular with technical *and financial* information should be presented at each field day or visit of producers to better communicate the economic return possible through implementation or use of new and improved production technology.

SOW Issue 9: Prospective Assessment of Project Strategy

The Project implementation strategy is sound and easily understood. The strict implementation of the strategy itself has been deficient in some cases, most of all in the identification of credit-worthy clients and strong grass roots organizations committed to complying with Project administration and management requirements, especially in reporting activities and results on a timely, concise, and accurate basis.

SOW Issue 10: Prospective Assessment of Implementation of Project Activities

Management and implementation of Project activities in the agricultural program appear to be very professional, timely, and according to available Project resources. Better communication and coordination with support services such as credit and the monitoring and evaluation programs would probably result in accelerating obtention of results and their reporting.

SOW Issue 11: Prospective Assessment of Resource Allocation

This topic was touched on above (Section 3.2, SOW Issue 3). It is felt that, in the case of andean grains and alpaca fibers, high impact economic results are being sacrificed for geographic coverage purposes. Long-term planning and budgeting for human and financial resources availability are necessary to avoid interruption of key activities where the highest probability of success in terms of sales and employment can be attained. By focusing on the generation and sustainability of sales and employment, alleviation of poverty will occur and the MSP Project will be a success.

Financial services have definitely been neglected in terms of their critical role in assuring implementation of Project services. Improved balancing between financial and non-financial services resources is important and necessary. It is felt that this message was clear and well received by all Project and USAID staff and that important corrective action will be taken soon. Finally, the addition of the MIP funds will complement the MSP portfolio of activities by generating additional sales and employment and addressing the gender issues on a more focused basis.

3.3 CREDIT ACCESS PROGRAM (CAP)

Since its inception, CAP has provided support for the establishment of credit leverage programs for small agricultural producers in 6 of the 21 MSP Project target areas: Piura, Chiclayo, Huacho/Nepeña, La Merced, Jaen, and Arequipa/Tambo. Five of the programs (Piura, Chiclayo, Huacho/Nepeña, La Merced and Jaen) are operated by the Centro Peruano de Estudios Sociales (CEPES). The remaining program (Arequipa/Tambo) is operated by the Centro de Investigación, Educación y Desarrollo (CIED).

Since March 1, 1995, the combined credit leverage programs implemented by CEPES and CIED have facilitated credit access for 181 small agricultural producers participating in the MSP Project Coastal Agriculture Program. The resulting total of \$515,741 in loans have financed 458 hectares of production in legumes, onions, coffee, garlic, and other miscellaneous crops.

TABLE 13
MSP PROJECT CREDIT ACCESS PROGRAM (CAP)
LOANS APPROVED BY PROJECT TARGET AREA (AS OF JULY 31, 1995)

Area	Product	Hectares	Groups	Farmers	Approved Loan Amt (\$)	Average Loan Size
PIURA	Legumes	41	5	27	49,795	1,132
CHICLAYO	Legumes	47	3	19	64,632	2,273
HUACHO/ NEPEÑA	Onions	38	3	20	172,900	6,650
LA MERCED	Coffee	47	1	5	31,464	3,640
JAEN	Coffee	0	0	0	0	0
TAMBO	Onions, Garlic, other	285	16	181	196,950	1,088
TOTAL		458	28	252	515,741	2,047

Total loans facilitated through the CAP credit leverage programs to date represent only 12 percent of the estimated MSP client credit needs, based upon 1995 Work Plan targets. The breakdown of coverage of estimated MSP client needs by program is: Coastal Agriculture (29 percent), Sierra/Selva (0 percent) and Microenterprise (0 percent).

CAP implementation delays resulting in the failure of the MSP Project to achieve greater credit coverage for MSP clients are the result of several factors, both external and internal to the MSP Project.

The primary *external* factors include the traditional reticence on the part of the commercial banking sector to lend to the MSP Project micro and small producer client, the inability of the micro and small producer to meet commercial bank lending requirements (particularly guarantee requirements related to land titles), and the desire on the part of many of the commercial banks to see the demonstrated success of the MSP Project in establishing commercialization linkages and clients for MSP Project clients.

The primary *internal* factor contributing to CAP implementation delays, is the fact that the CAP Strategy was finalized in January, 1995, resulting in only 7 months of effective program implementation — an extremely limited time period to facilitate significant credit coverage for clients traditionally excluded access to formal sources of credit.

A secondary internal factor contributing to CAP implementation delays has been the lack of effective coordination and communication between CAP and the Coastal Agriculture, Sierra/Selva, and Microenterprise Programs evidenced at all levels of the MSP Project. At the project management level, LBII and ADEX/MSP managers have not taken a leadership role in either mandating or facilitating greater coordination and communication between CAP and the technical programs. At the program management level, CAP and the technical programs have worked in relative isolation, failing to develop an integrated

workplan, clearly delineated roles and responsibilities related to CAP implementation, and regular program management meetings. At the field level, there has also been a lack of communication and coordination of efforts between the technical and credit implementation partners, resulting in the failure of the MSP Project to provide an integrated package of credit and other non-financial technical support services to MSP Project clients.

CAP implementation delays have also been caused by excessive delays in both the identification of, and negotiation of sub-agreements with, CAP implementation partners. To date, only two sub-agreements have been finalized with CEPES and CIED for the implementation of credit leverage programs in support of the Coastal Agriculture Program. Sub-agreements have not yet been signed to initiate credit leverage programs in support of the Sierra/Selva Agriculture and Microenterprise Programs.

Nevertheless, progress is being made in this area. Negotiations are currently underway, however, a sub-agreement with the Centro de Investigación de Recursos Naturales y Medio Ambiente (CIRMA) for a credit leverage program in support of Andean grain production under the Sierra/Selva Agriculture Program. CIRMA has access to approximately \$225,000 in credit funds leveraged through the Fondo Controvalor Peru-Canada. CIRMA plans to on-lend the funds through the Banco Continental, under commercial loan terms and conditions, and thus pave the way for expanded lending through the Banco Continental in the future.

Negotiations are also pending with CARE-Peru, for a credit leverage program for micro and small artisans sector under the Microenterprise Program. CARE-Peru's Micro and Small Enterprise Credit Program currently operates in 5 of the MSP Project areas targeted by the Microenterprise Program: Lima, Trujillo, Cajamarca, Puno and Arequipa. Its current artesanry loan portfolio is US\$1,198,176, representing a total of 506 active loans. CARE-Peru has completed a viability study and made the decision to convert its Micro and Small Enterprise Credit Program into an EDPYME.

Given the only recent approval of MIP Prime Funds for the expansion of CAP to include the EDPYME Support Program, a comprehensive workplan for the program has not yet been developed and activities have not yet been initiated.

3.3.1 CAP Implementation Partners

3.3.1.1 CEPES

On March 1, 1995, the MSP Project signed the first 5 CAP sub-agreements with the Centro Peruano de Estudios Sociales (CEPES) to establish credit leverage programs for small agricultural producers participating in the MSP Project Coastal Agriculture Program in the target areas of Piura, Chiclayo, Huacho/Nepeña, La Merced and Jaen.

The first five CEPES sub-agreements were signed for a duration of 90 days. Following the termination of the initial implementation period, sub-agreements were then signed for an additional 30 days. In theory, the short-term duration of the initial sub-agreements was to intended to allow ADEX to better determine actual operational costs for the credit leverage programs. In actuality, it has resulted in implementation delays as CEPES chose to postpone the signature of rental agreements for vehicles required for staff mobilization and computers required for the development and implementation of the loan monitoring system until a sub-agreement is signed for the life-of project (LOP). The preparation of

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multiple, short-term sub-agreements, rather than a consolidated LOP sub-agreement has also represented an significant administrative burden for CAP staff responsible for the preparation of the sub-agreements. The signature of the LOP sub-agreement, pending since July 1, is scheduled for August 30, 1995.

CEPES initiated its own credit leverage program, which has served as a model for CAP, in 1992 in the Department of Huaral in cooperation with the Banco Weise. Since the initiation of the program, the Huaral credit leverage program has mobilized \$1,757,194 in loans in support of small agricultural producers involved in the production of peaches, mandarins, oranges, cotton, and potatoes.

CEPES interest in the MSP Project responds to an organizational commitment to the expansion of its small agricultural producer credit leverage programs and future plans to establish a EDPYME.

As seen in Table 14, CEPES has facilitated a total of \$318,791 in loans to 71 MSP Project small producer clients.

TABLE 14
MSP PROJECT CREDIT ACCESS PROGRAM
CEPES LOANS BY AREA (AS OF JULY 31, 1995)

Area	Product	Hectares	Groups	Farmers	Approved Loan Amt (\$)	Loans Pending (\$) ¹¹	Average Loan Size
PIURA	Legumes	41	5	27	49,795	6,095	1,132
CHICLAYO	Legumes	47	3	19	64,632		2,273
HUACHO/ NEPENA	Onions	38	3	20	172,900		6,650
LA MERCED	Coffee	47	1	5	31,464		3,640
JAEN	Coffee	409	13	62	0	223,457	547
TOTAL				71	318,791	229,552	4,490

Loans facilitated by CEPES to date have been disbursed under the following terms and conditions:

- loans denominated in local currency
- 3 percent monthly interest
- lump-sum repayment
- 15 percent guarantee fund (added to total loan amount and retained by commercial bank until loan repaid)
- 3 percent flat commission — CEPES (discounted from loan upon disbursement)
- guarantee — agricultural crop

¹¹ Loan applications currently being processed by the Banco Continental.

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All CEPES loans to date have been provided through the utilization of the FOGAPI line of credit and credit guarantees established for MSP Project clients.¹² CEPES is currently negotiating with the Banco Latino, the Banco Continental and the Banco Weise to facilitate expanded commercial sector lending to MSP Project clients. CEPES is also negotiating with the Fundación Hualtaco, its technical counterpart under the MSP Project to administer a \$145,000 line of credit provided by the Fondo Contravalor Peru-Japan for MSP Project clients.

To date, CEPES has been unable to mobilize sufficient credit resources for MSP Project clients. Contributing factors have included implementation delays suffered by CEPES due to delays in the negotiation and signature of the CEPES sub-agreement; poor coordination between CEPES and Fundación Hualtaco, the MSP Project technical implementation partner in the initial identification and selection of MSP Project clients, and subsequent promotion of the credit leverage program; inadequate CAP support to assist CEPES in leveraging credit through the commercial banking sector; and an initial unwillingness on the part of local commercial banks to lend to MSP Project clients.

Most of these initial difficulties appear to surmountable in the near future, with the imminent signature of the CEPES sub-agreement; more fluid communication channels and greater levels of coordination of activities between CEPES and Fundación Hualtaco; negotiations currently underway to expand the FOGAPI line of credit and guarantees with \$1 million from COFIDE.; and discussions currently underway for CEPES to assist the Banco Latino in the establishment of a small agricultural producers credit program.

At present, it is difficult to assess the financial management capacity and overall performance of the CEPES credit leverage program due to the recent initiation of lending activities and the fact that CEPES has not yet developed a comprehensive loan monitoring system for its credit leverage program. CEPES has established, however, clear operational procedures and guidelines for lending activities.

3.3.1.2 CIED

The Centro de Investigación, Educación y Desarrollo (CIED) is a technical implementation partner providing support to MSP Project clients involved in onion and garlic production in the Valle del Tambo, Arequipa under the MSP Project Coastal Agriculture Program.

In 1995, CIED initiated its own credit leverage program with CAP support and subsequently initiated negotiations for the signature of a CAP sub-agreement. The sub-agreement was signed by CIED during the course of this evaluation.

Since the initiation of its credit leverage program, CIED has facilitated a total of \$196,950 in loans for a total of 181 MSP Project clients, as shown in Table 15 below.

¹² ADEX-MSP has signed a cooperative agreement with the Fondo de Garantía para Prestamos a la Pequeña Industria (FOGAPI) for the establishment of a \$300,000 line of credit and a \$300,000 guarantee fund for MSP clients.

TABLE 15
MSP PROJECT CREDIT ACCESS PROGRAM
CIED LOANS BY AREA (AS OF JULY 31, 1995)

Area	Product	Hectares	Groups	Farmers	Approved Loan Amt (\$)	Loans Pending (\$)¹³	Average Loan Size
AREQUIPA/ Valle del Tambo	Onions		6	56	0	58,000	1,036
AREQUIPA/ Valle del Tambo	Garlic, Onions, Other	94 3 188	16	181	196,950		1,088

The bulk of these loans have been accessed by CIED through FONDESURCO — a local NGO established by four local NGOs operating programs in support of small agricultural producers in Arequipa, with a \$900,000 loan from the Fondo Contravalor Peru-Canada. Through FONDESURCO, CIED has access to \$289,000 in small producer loan funds.

\$70,000 of the loans facilitated by CIED were leveraged through the Banco de Crédito under a cooperative agreement signed between the Banco de Crédito and CIED. The terms and conditions of loans facilitated under the cooperative agreement are as follows:

- loan equivalent to 70 percent of cost of production
- loans denominated in dollars
- 17.5 percent annual interest (monthly interest payments)
- lump-sum repayment of principal
- loan term: 6 months, plus negotiable 2 month extension for commercialization
- 10 percent guarantee fund (added to total loan amount and retained by commercial bank until loan repaid)
- 3 percent flat commission — CEPES (paid together with monthly interest payments)
- guarantee — agricultural crop and solidarity group

CIED enjoys extremely positive relations with the Banco de Crédito, which has expressed a willingness to extend up to \$6 million in loans for MSP Project clients, based upon the success of the initial cooperative agreement and the continued financial intermediation on the part of CIED.

Although it is clear that CIED's current scale of programs is insufficient to reach operational self-sufficiency, CIED does not yet possess the administrative and financial planning capability or systems to determine the scale of operations necessary to reach operational self-sufficiency, nor to assess financial performance. CIED has requested technical and institutional strengthening support from CAP for: 1) the development of comprehensive loan monitoring, financial, and administrative systems; 2) the strengthening of its administrative and financial management capacity; and 3) strategic and operational planning.

¹³ Loan applications currently being processed by the Banco Continental.

3.3.2 Anti-Poverty Lending (APPLE) Program

As part of the redesign of MSP, the APPLE program was added. Matching funds were provided from USAID/Washington. The APPLE program made grants to three US-based NGOs — CARE, Catholic Relief Services (“CRS”) and FINCA — to implement credit and training programs targeted at the poorest microenterprises.

Two different methodologies are used by the institutions: village banking (CRS and FINCA) and rotating funds (CARE). The basic village bank model promotes the establishment of **community owned and managed** banks. Under the original model loans are made to the newly established bank that on-lends the money to its members. The maximum loan amount for first loans is typically \$50 and the initial loan term (cycle) is four months. The village bank collects weekly loan installments and savings deposits from the borrowers (internal account). In this way, the loan made by the NGO (the external account) acts as a catalyst to stimulate the development of the internal account and of members' personal savings. The village bank repays the NGO at the end of the cycle. The loans require no collateral. Instead, all members sign the loan agreement to offer collective guarantee (joint liability).

During each loan cycle, members deposit savings into the village bank's internal account. Members' savings stay in the village bank and are normally used for making loans to members and nonmembers. No interest is paid on savings. Instead, members receive a share of village bank profits from the bank's relending activities or other investments. Profit distribution is based on the amount of savings each member has accumulated. The village bank determines the terms and regulations — including interest, maturity, and eligibility — for loans made with members' savings.

When the external account loan is repaid to the NGO, a subsequent loan is made with amounts increasing in accord with member savings to a maximum of \$300. The subsequent loan can equal the previous loan amount plus the cumulative amount of savings. For example if a member saves \$10 on a \$50 loan, the second loan would be \$60. If the member saves another \$12 on the second loan, then the third loan would equal \$82 (\$60 + \$22). By the ninth cycle, if the borrower has saved the stipulated amount, the borrower will have reached the maximum loan amount.

The village bank savings and lending activities are managed by an Administrative Committee comprised of a president, treasurer, and secretary. In general, committee responsibilities include convening meetings, approving loans, supervising loan repayment, receiving savings and deposits, and lending out or investing savings. By transferring much of the administration of financial services to the village banks, the lender minimizes its own transaction costs. The lender also minimizes the risk of default by imposing joint repayment liability on the members, tying loan levels to savings deposits, and starting with small loans and increasing loan amounts as the borrower builds a credit history.

Organizationally, the methodology calls for very little administrative overhead. Although some training is required to establish each bank, the financial service model used is a minimalist one. The model does not require coordination with other agencies and allows for direct interaction with communities.

The model as adapted by the institutions operating in Peru is presented in Table 16.

TABLE 16
VILLAGE BANKING IN PRACTICE

CRS/Peru	FINCA/Peru
External Account	
Interest Rate Paid to the Organization^{a/}	
2.5% per month on outstanding balance & dollarized; additional ½% to bank (30% real effective rate)	2% per month on balance & dollarized. 1% commission (26% real effective rate)
Loan Amounts	
Stepped with savings. Initial loan limit — \$75; Maximum loan \$325	\$50 or \$100 Not linked with savings.
Payments	
Payments to the NGO are made at the end of the cycle. Borrowers make payments to the village bank bi-weekly or monthly (rural).	Payments to the NGO are at the end of the cycle. Borrowers make weekly payments to the village bank.
Terms	
Four month cycles	Four month cycles
Savings Targets	
20% of loan amount per cycle.	\$1.62/week-\$50 loan; \$3.25/week-\$100 loan. (Round total weekly payment to \$5 and \$10 respectively)
Internal Account	
Use internal account from the <i>second</i> cycle; for members only.	Use internal account from time of <i>pre-loan training</i> ; for members only
Interest Rates	
3-4% per month flat	2% per month
Loan Amounts	
Not available	As determined by bank members-up to \$3,000
Payments and Terms	
Monthly payments. Loan terms are 1-2 months.	Weekly payments. Term of 4-8 weeks.
Reserve Requirements	
None.	None.

a/ Interest rates charged to village bank members are flat (calculated on the original loan amount). Those NGOs which charge on the outstanding balance are those which simply require repayment at the end of the loan cycle. To the extent that amortization are required, rates tend to be flat. The *real effective interest rate* calculations are based on a typical 4 month loan to a first time borrower.

CARE's poverty lending program comes under the purview of the Women's Income Generation (WIG) project. CARE's WIG/poverty lending project works with groups of women operating community kitchens, all of which receive food donations from CARE/USAID. The groups are provided with training and a blend of donations and loans to use for their revolving loan fund. Training is provided in fund management, business management, and technical skills (e.g. garment making). Groups are graduated

after 18 months: graduation simply means they no longer receive technical assistance from CARE's credit officers.

Revolving funds are established in the amount of \$1,200 in Lima and \$1,500 in the provinces. The groups not only decide who will serve on the credit committee, but set all lending policies. In the past, revolving funds were established by donating 100 percent of the funds. With the receipt of APPLE funds, CARE modified its policy to donate 50 percent of the funds and lend the other 50 percent to new groups. It also elected to provide an additional \$1,000 in the form of a loan to graduated groups which continue to function reasonably well. (Note: At year-end 1994, only four groups had loans outstanding). Next fiscal year, it may change its policy to lend 100 percent of the funds. The term of the loan is 18 months and payments are monthly. Grace periods of 3-15 months are permitted. Interest of 4 percent per month on the outstanding balance is charged to the group.

The group on lends the funds to its members. Loans are typically small; the average is slightly more than \$100. The interest charged to members typically starts quite high — 8-10 percent per month — as the group tries to build the fund. With time the rates tend to decrease. A rate of 6 percent per month is typical in the more mature groups. The funds stay in the group indefinitely and no income is distributed

The models used to implement the programs are generally categorized as follows:

- Creating or building a single national institution;
- Providing assistance to multiple existing local institutions and/or creating an APEX institution; and
- Direct implementation.

Creating or building a single national institution. FINCA creates or builds independent non-profit affiliates or partner organizations to provide financial services to the poor. Generally, these institutions will only create or affiliate with a single institution with goals and objectives similar to their own — developing effective and efficient operations capable of providing properly priced financial services on a national scale.

Providing assistance to multiple existing institutions and/or creating an APEX institution. CRS provides capital and/or technical assistance to multiple existing local institutions. CRS is currently working with six local NGOs which each have a relatively limited regional focus, and are for the most part, church or community development organizations. Their approach to achieving scale is through partnerships with a multitude of institutions (e.g. CRS eventually expects to serve 10 cities through 16 local NGOs).

Direct Implementation. CARE/Peru implement their programs directly by taking advantage of the country offices used for their multiple other projects. The organization has combined and/or linked the rotating funds and village banking activities with their other food programs funded by donors such as USAID.

The most pressing issue for the programs is clearly the managerial and institutional capacity of the implementing organizations. Programs operating on a small scale seem to perform (i.e. repayment) well. In this stage, strong management capacity is not really required. But as the programs scale up, the needs will become far more complex. Managing growth is difficult and involves major organizational changes. Such changes are not peculiar to poverty lending NGOs.

The institutions' stages of development were described in *The Process of Institutional Development: Assisting Small Enterprise Institutions Become More Effective* (Edgcomb and Cawley, 1991). The three basic stages are: development (start-up, design, testing, and implementation of methodology and structure); sustainability (organizational growth and maturation, institution advances toward efficiency and financial viability); and expansion (scale up, institution expands its program by increasing clients and/or geographic coverage). Each of the institutions are in the development stage¹⁴.

APPLE Auxiliary Support Program

This program was developed primarily for two reasons: to provide a mechanism to administer the APPLE program and to provide institutional support to the implementing NGOs. While this program (and APPLE in general) clearly does not fit within the mission and strategy of MSP/ADEX, it is perhaps the most logical institution to administer the project in the absence of other alternatives.

¹⁴For further discussion of the experiences with the methodology and institutional capacity of grant recipients, please refer to the GEMINI report on the APPLE program.

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SECTION 4

CONCLUSIONS AND LESSONS LEARNED

The MSP has shown that in a short time frame it has managed to organize a team of high level, highly motivated professionals for the tasks in view and that the services implemented are useful and in demand to and by the microenterprises. They have a high degree of acceptance among the clients, thereby causing a very positive image in the community and in the general public. In other words, it is a good project, very adequate to the objectives it was designed to fulfill.

Despite these initial results, the services of the MSP don't have defined policy and cost strategies, nor those for subsidy levels and sustainability; therefore, being in the position to distort the market in relation to other offerers of same or similar services, thereby running the risk of not achieving adequate levels of sustainability that will permit that more clients may be favored by these types of service over the long run. It still does not have the instruments to implement a cost-effectiveness strategy.

There are no cost analysis controls; therefore, they are not available as management tools for the taking of sound decisions at the moment of assigning resources or investing in programs. This is one of the principal weaknesses in the administration of a cost-effectiveness program.

In ready-made clothing, the investments made as relate to employment generation require review, given the limited progress of the program.

The abundant process information requested by AID and the MEF-PL-480, require that the M&E and MIS systems focus the responsibilities of the MSP to put a great deal of attention on presenting process information. This influences in a very decisive manner the "culture" of the MSP. At the same time, as it is still in a development phase, the institution may not yet have the maturity to be able to work strictly on a result-oriented basis.

The Executive Advisor Committee (EAC) of the MSP has not come into operation as of this time. While this may not have affected the operation of the project, it can be said that some of the principal weaknesses of the structure, namely, follow-up and project sustainability, could be reduced with this committee in operation. Also, it could assist to update the organizational chart and clarify the roles of the IC, ADEX y AID beyond what was laid out in the project paper. Likewise, it would assist with inter-relations and coordination systems at the various levels of administration.

4.1 AGRICULTURE PROGRAMS

The current activities being conducted in the agricultural program are appropriate with the 1995 Work Plan and follow Project strategies and critical steps. The quality of technical services seen in demonstration plots, nurseries, and trial plots are notable and significant. Smallholder farmers are accepting and implementing the technical recommendations and are convinced they will increase productivity, reduce waste, improve quality and receive higher income as a result.

Some technical assistance recommendations require direct investment, e.g. improved rootstock, soil testing and fertilizer applications, flower induction, and disease and pest control products. Many small producers are encountering substantial problems in accessing sufficient credit to implement new technology due to bank collateral requirements such as land titles. Many smallholder farmers and small producers have not yet received land titles due to recent government policy. This problem must be solved in order to insure success in meeting EOPS objectives.

Participating grass roots organizations and NGO's need strengthened if they are to become sustainable. This strengthening is mainly needed in the area of financial analysis and cost control, production planning, and marketing strategies. They must also be assisted in developing management information systems consistent with the reporting requirements of the MSP Project.

4.2 CREDIT ACCESS PROGRAM (CAP)

The principal conclusions and lessons learned related to CAP may be grouped in the following areas: 1) the efficiency, cost effectiveness, and potential viability of the CAP approach; 2) the degree of complementarity between CAP and other MSP Project services; 3) the implementation of CAP activities vis a vis the current MSP Project organizational structure, planning systems, work methodologies, and communication channels; and 4) the institutional capacity of CAP counterparts, including the efficiency, cost-effectiveness, and potential sustainability of the credit leverage programs.

1) the efficiency, cost effectiveness, and potential viability of the CAP strategic approach

The CAP Strategy is based upon the hypothesis that the most efficient and cost-effective manner of ensuring sustainable access to credit for micro and small producers is through the expansion and strengthening of the financial intermediary capacity of NGOs and other organizations, which serve as credit retailers to the micro and small producer sectors.

To this end, the CAP Strategy is well-founded and built upon a sound knowledge and understanding of the prevailing financial environment in Peru. It is responsive to the unique needs and constraints of microentrepreneurs and small producers which form the MSP client base in that it is adaptable to both the spectrum of sectors and products supported by the MSP Project, as well as the different types of financial service providers and intermediaries in Peru (e.g. cajas rurales/municipales, NGOs, commercial banks, etc.). The strategy of leveraging resources for MSP Project clients through financial intermediation also holds strong potential for high degree of cost effectiveness and long-term sustainability. Finally, the CAP Strategy is responsive to USAID/Peru's Strategic Objective #2 Increased Incomes and Employment of the Poor.

The effectiveness of the MSP Credit Strategy will ultimately be determined by the extent to which the MSP Project is indeed *market demand-driven*. More specifically, it will depend upon the extent to which MSP Project is successful in the identification of market opportunities, the design of appropriate market strategies, and the establishment of commercialization channels and linkages between MSP clients and domestic and international buyers.

3) *the degree of complementarity between CAP and other MSP Project services*

Timely access to credit under reasonable terms and conditions is critical to the achievement of MSP Project objectives and the overall development of MSP micro and small producer clients. Without a doubt, access to credit is an indispensable and necessary complement to MSP project services.

With the exception of dried legumes, the late initiation of CAP and the resultant delays in facilitating access to credit for MSP clients has not yet proven to be a significant constraint to the achievement of the MSP Project objectives. It is clear, however, that the MSP Project will be unable to achieve its objectives in terms of production, sales and employment if CAP is unable to leverage credit resources sufficient to cover MSP client credit requirements for both production and commercialization.

4) *the implementation of CAP activities vis a vis the current MSP Project organizational structure, planning systems, work methodologies, and communication channels*

CAP implementation delays resulting in the failure to achieve greater credit coverage for MSP Project clients, are due primarily to weaknesses in the current MSP Project organizational structure, planning systems, work methodologies and communication channels, rather than inherent weaknesses in the CAP Strategy. CAP implementation has been adversely affected at all levels by the lack of effective coordination and communication between CAP and the technical programs.

The absences of an integrated workplan, clearly delineated roles and responsibilities related to CAP implementation, and regular program management meetings have also contributed to delays. Finally, current CAP staffing is inadequate to ensure the effective implementation of CAP, particularly in the area of technical assistance and institutional strengthening support for CAP implementation partners.

5) *the institutional capacity of CAP implementation counterparts, including the efficiency, effectiveness, and potential sustainability of the credit leverage programs*

An assessment of the efficiency, effectiveness and potential sustainability of the credit leverage programs implemented by CIED and CEPES is extremely difficult given the recent initiation of the programs and the fact that both CIED and CEPES are currently in the process of developing loan monitoring, financial and administrative systems to support their respective programs.

What has become evident, however, is that as opposed to the urban sector, where more experienced NGO financial intermediaries may be found, rural-based financial intermediaries may require greater levels of technical assistance and institutional strengthening support than originally contemplated under CAP in order to strengthen their institutional capacity to facilitate sustainable credit access for MSP Project clients.

SECTION 5

KEY RECOMMENDATIONS

5.1 STRENGTHEN THE MARKET FOCUS AND ACHIEVE GREATER LEVERAGE

Especially in the area of microenterprises, the MPS should strengthen its capacity to identify and position products in the market and come to agreements quickly with buyers so as to take advantage of the quality of its technical services offered.

Likewise, it should facilitate and accelerate the signing of agreements that generate or cause a greater leverage of resources and results, involving its most qualified counterparts, so as to achieve the goals and objectives defined by the USAID strategy.

5.2 STRENGTHEN THE ADMINISTRATION AND CONTROL SYSTEMS IN THE IMPLEMENTATION OF STRATEGY AND AS RELATES TO RESULTS


The MSP needs to define and implement a system of administration of results that feeds back to the various managerial and operative levels. This is especially important at the management levels of the microenterprise program and team support.

The institution should also analyze the availability of time and human resources since a strategy aimed at results requires that at least some of the personnel concentrate on the follow-up of these actions.

5.3 STRENGTHEN AND DEVELOP A RESULTS-ORIENTED CULTURE

The IC should widen its actions to support the management levels of the program in its strengthening for the design and administration of the strategic plan and the operating plans, working in a coordinated fashion for an administration based on results. Actions aimed at creating this results-oriented culture could be managed through an outside consulting company specialized in this area, working through a training methodology.

It is also necessary that ADEX, AID and the IC review the quantity, quality and frequency of information the MSP should provide in order that the M&E and MIS systems be brought into line with needs and for the encouragement of the development of a results-focused culture.



5.4 STRENGTHEN THE INSTITUTIONAL STRUCTURE

It is recommended that the MSP put the Executive Advisor Committee in operation so as to facilitate and widen the flow of information with other programs and institutions that are related to the microenterprise and to ADEX; and to help in the orientation of policies and the periodic evaluation of the results of the MSP in relation to the official strategy and expected outputs and results. Likewise, the MSP should focus on achieving sustainability. It is necessary that it updates and gains approval of the official organization chart in order to facilitate the identification of the different roles of each one of the participating institutions.

The creation of a FORMAL technical committee that meets periodically with the area managers and departments will help follow-up and the control of activities, thereby stimulating team work and institutional culture.

5.5 BETTER THE CAPACITY TO ACHIEVE COST-EFFECTIVENESS

The MSP should create a system of costs and service pricing system and develop a plan to strengthen service intermediaries (NGOs, businesses, base groups, etc) in order to achieve cost-effectiveness in its activities.

In order to promote the cost-effectiveness system, it should also specialize in some service areas of high impact as relate to more mature products that have shown themselves to be marketable.

In order that the MSP be able to focus itself on cost-effectiveness — and later in agreement with USAID— it should develop a strategy that allows it to go from lesser to greater, for which it could define a table in the following manner:

TABLE 17
LEVELS TO COST/RECOVERY

Year	Level to cost/recovery
1995	75%
1996	50%
1997	25%

In addition, it should define a services costing system based on the cost recovery strategy defined.

5.6 AGRICULTURAL PROGRAMS

1. Improve communications and coordination between technical assistance and credit components managers to improve credit delivery access to program clients through frequent staff meetings and the

immediate preparation of a "plan de emergencia" (emergency plan) to identify obstacles and solutions to credit delivery for certain agricultural products to be planted or harvested in remaining 1995 periods.

2. Revise the Monitoring and Evaluation system to verify and track monthly change in EOPS Objectives, primarily sales and employment increases, through training and coordination with the grass roots organizations participating in technical assistance or credit delivery programs. Strengthen the same system by deleting tracking of day to day activities which are reported under the separate Management Information System. Conduct "spot checks" on randomly selected activities such as sub-agreements with NGO's, field days, demonstration plots, trial plots, and nurseries to confirm existence, participation, and technical assistance performance against budgeted plans and results. Report deficiencies to Project Management for corrective action.

3. Immediately begin institutional strengthening training and educational programs in all participating grass roots organizations directed towards improvement and understanding of cost recovery, financial analysis, production planning, product feasibility studies and reports, and marketing strategies.

4. Revise and clearly state assumptions for attaining EOPS Objectives for sales and employment increases results due to changes in products, e.g. elimination of asparagus product; definition of sales value basis; revision of volumes to be produced due to availability of credit; and method of determining and reporting employment generation.

5. Analyze cost/benefit ratio of project activities in andean grains, alpaca fibers, malaysian shrimp, and cacao products not only in terms of financial, but human resources as well. Determine if resources could be better applied to existing proven demand and market driven products which could result in faster and higher impact results.

6. Integrate and leverage technical assistance and marketing programs and products with other areas, e.g. dried legumes as rotation crop with onions and garbanzo beans with potatoes. This will expand sales and employment results within areas already serviced by the MSP Project, with very little added cost. It will allow for better utilization of any packing facilities to be constructed, and permit increased involvement of women groups in providing post-harvest services on an extended seasonal basis.

7. Allocate remaining years budgets more equitably among products and areas with most realistic opportunities for creating results, e.g. expand sweet onions, yellow potatoes, dried legumes and coffee.

8. Begin institutional sustainability strategy planning immediately, beginning with a detailed institutional diagnostic study to determine strengths and weaknesses. Provide the necessary training and assistance to help institutions begin cost recovery programs.

9. Refocus product technical assistance resources to new areas or complement existing products once key outputs attained, e.g. the technology for regularization of the mango crop (flower induction) is basically completed. Focus on post-harvest handling and marketing issues. Divert any surplus technical assistance manpower to the dried legume program.

10. Investigate formation of a venture capital fund within the project to participate in joint ventures with grass roots organizations or clients as method of financing promising start-ups with projected high rates of returns in sales and employment or transferable technology development.

11. Prepare a long-term, remaining life-of-project work plan with operating and financial budgets to project total sales and employment results, and cost per thousand dollars of sales executed and cost per job generated for each product area. According to the in-house USAID economist (see May 10, 1994 memorandum of Jerre Manarolla, Chief, PDP/ECON), the current cost of generating jobs will expend the entire Project budget.
12. Investigate the possibility of locating funds for the establishment of a MSP Project client Loan Guarantee Fund managed by Project staff in conjunction with a cooperating financial institution. The strategy involved would be to assist financing smallholder farmers or small producers without titled lands, who through participation in the technical and marketing assistance programs can prove their credit worthiness.
13. Increase focus on other tangible results of the Project, such as improvement in product quality and image, through the development and implementation of a MSP Quality Seal Program. Adherence to established quality standards and specifications as monitored and controlled by the MSP Project technicians will aid in promoting products on a national, regional, and international basis and result in added value to the final sales price, therefore increasing sales returns.
14. Consider extending the Project completion date after analysis of funds availability and acceptable strategic plan for achieving project and client sustainability.

5.7 CREDIT ACCESS PROGRAM (CAP)

1. The MSP Project should adjust its current targets to reflect more realistic levels of achievement. A three-year integrated workplan should be developed for the remaining life-of-project (LOP), which includes both adjusted targets for both LOP and by year and a detailed, integrated workplan for the implementation of all activities necessary for the achievement of the targets.

In addition, the MSP Project should modify its current 1995 workplan to include estimated MSP client credit needs by product and geographic region, as well as the detailed activities required to be undertaken by both CAP and each of the technical programs in order to achieve the adjusted targets.

2. In response to the urgent need to expand credit access for MSP Project clients, pending sub-agreements with CEPES and CIED should be finalized immediately and highest priority should be placed on the identification of potential implementation partners for each of the remaining 15 MSP Project target areas. CAP sub-agreements providing for coverage of all MSP Project target areas should be negotiated and finalized by no later than December, 1995.

In addition to the current selection criteria for CAP implementation partners, emphasis should be placed on the selection of a limited number of experienced NGOs with demonstrated financial intermediary capacity. Priority should also be placed on the selection of those NGOs with current or potential access to microenterprise credits for on-lending, as the initial experience with CEPES and CIED has illustrated the importance of these credit lines in meeting the immediate credit needs of MSP clients who are unable to initially access credit through the commercial banks, and in demonstrating MSP client credit-worthiness to commercial banks. Finally, priority should be placed on the selection of a limited number of NGO implementation partners capable of covering multiple MSP Project target areas, in order to concentrate

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CAP technical and institutional strengthening support and to offer NGO implementation partners greater potential to reach the scale of operations required for financial self-sufficiency.

All future sub-agreements should include a plan for the achievement of financial self-sufficiency of the credit leverage program by the end of project. Moreover, future sub-agreements should allocate a greater percentage of CAP financial support to technical assistance and institutional strengthening support as opposed to the current emphasis on funding start-up and on-going operational costs. Financial support should also be conditioned upon the achievement of targeted levels of lending, loan recuperation, and financial self-sufficiency.

3. There is an urgent need to achieve greater levels of coordination and communication between CAP and the technical programs at all levels. Specific activities which should be undertaken to enhance coordination and communication include: 1) the development of an integrated MSP Project Work Plan for the LOP, as well as a detailed 1995 Work Plan; 2) the institutionalization of bi-weekly management meetings to be attended by the LBII Technical Director, the ADEX-MSP General Manager, the CAP Credit Specialist, and the Program Managers of the Microenterprise, Sierra Selva and Coastal Agriculture Programs; and 3) the initiation of monthly CAP meetings to be attended by CAP program staff and managers from each of the CAP implementation partners.

4. Current CAP staffing is inadequate to ensure the effective implementation of CAP, particularly in the area of technical assistance and institutional strengthening support for CAP implementation partners. As a means to provide better response capability in this area, and to enable the current CAP Credit Specialist to dedicate greater time and resources to financial intermediation support, the MSP Project should contract a full-time Institutional Strengthening Specialist.

The CAP Institutional Strengthening Specialist should possess extensive experience in the implementation and management of financial intermediation programs, including financial intermediation strategies and systems, as well as in the areas of organizational strategic and operational planning, financial and administrative systems, and the development of cost recovery strategies and mechanisms for financial self-sufficiency. He/she should work with each CAP implementation partner to develop a comprehensive technical assistance and institutional strengthening support plan.

The CAP Institutional Strengthening Specialist should report directly to the current CAP Credit Specialist. Both the CAP Credit Specialist and the CAP Institutional Strengthening Specialist should be placed under the direct line supervision of the ADEX-MSP General Manager, and the title of the CAP Credit Specialist should be changed to CAP Manager, in accordance with the management structures of the MSP Project technical programs.

5. The establishment of a comprehensive loan monitoring system is of critical importance for all NGOs contracted under CAP to facilitate financial services to MSP Project clients. To this end, CAP should contract the services of a short-term local consultant to work with CEPES, CIED, and other future CAP implementation partners to develop an appropriate loan monitoring system, which will provide management with critical decision-making and oversight information in a timely manner and enable management to monitor key financial indicators and overall indicators of program performance and financial self-sufficiency. The loan monitoring system should desegregate all data by geographic region, sector, product and gender.

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In addition to the development of an appropriate loan monitoring system, the consultant should also work with the CAP Coordinator to establish standard reporting formats for CAP implementation partners, which include both lending data, as well as overall financial performance indicators.

6. The long-term sustainability of financial service delivery is dependent upon not only the achievement of financial self-sufficiency of financial intermediation, but also upon the capacity of the NGO to provide the requisite institutional base of support to the financial intermediation program.

In order to ensure the long-term sustainability of financial service delivery CAP should provide its implementation partners with institutional strengthening support in the following two priority areas: 1) development of comprehensive strategic and operational plans; and 2) development and implementation of administrative and financial systems, which permit effective cost management, the identification and allocation of costs to specific programs, and the development of cost recovery mechanisms.

7. As a NGO with no prior experience in financial intermediation, CIED has the following unique and immediate technical support requirements: 1) loan management training for credit staff; 2) development of comprehensive loan monitoring system; and 3) an exchange under the APPLE Auxiliary Support Program to visit CARE-Peru and FINCA-Peru's women's income generating programs to guide the on-going development of CIED women's income generating programs.

8. In order to provide the maximum access to credit to MSP Project clients, CAP should concentrate EDPYME Support Program on those EDPYMEs which have the interest and capability of serving the MSP Project clients.

A-1

ANNEX A

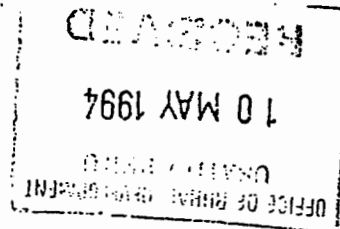
**USAID MEMORANDUM DATED MAY 10 "COMMENTS
ON THE MSP'S PP SUPPLEMENT"**



MEMORANDUM

Office of Project Development and Program
Economic Division (PDP/ECON)

DATE : May 10, 1994 *JM*
THRU : Jerre Manarolla, Chief, PDP/ECON
REPLY TO : Arturo Briceño, PDP/ECON *EB*
ATTN OF :
SUBJECT : Comments on the MSP's PP Supplement
TO : Harry Wing, ORD



This is to comment the Microenterprise Support Project (MSP) Project Paper Supplement (PPS).

Issue #1: Exporters Association (ADEX)'s participation. The PPS supports the idea that ADEX be the main private institution. The resources to be channeled through ADEX would amount 50% of the US\$ 27.5 million LOP, according to the information presented in Annex E.

Comment: First, ADEX is a well respected and known institution which has the goal to promote non-traditional exports. In the original ETD Project made a lot of sense to have ADEX as a counterpart. However, ADEX's role for the new MSP Project, as established in the PP is highly overstated because the ME's export activities would not be the unique nor the central focus of the new MSP.

Second, we believe that ADEX must be a counterpart institution, but the Project should also include more representative institutions of the ME sector such as APEMIPE, Comité de la Pequeña Industria (Sociedad Nacional de Industrias) and NGO's working with ME such as COPEME, to name a few.

There is a very interesting group of ME experts working at the MITINCI to implement an adequate legal, regulatory framework for the ME, as well as to perform a coordination function among private and public organization working with ME. We think that the MSP should establish institutional linkages with them in order to leverage a larger beneficial impact of the Project. For instance, PAPI has been already supporting some activities to this group, and the results have been very positive in terms of impact and implementation. A

new Institute for promoting ME is going to be created sponsored by the MITINCI and supported by many NGO's. this will be a good opportunity for the MSP Project to coordinate activities with them. Villaran's (1993) second recommendation to reduce bottlenecks and promote the ME development states that the leader institution to coordinate and promote efforts in the ME be the MITINCI.

Also, FONCODES is working successfully with microenterprises, by encouraging production of specific ME clusters that have comparative advantage such as shoemakers, clothing, etc. The MSP Project should also look for an association with FONCODES to work together in these type of interventions: for instance, FONCODES putting the money to buy ME's production and MSP helping the small producers to improve quality control, training, etc.

Having ADEX as the unique private counterpart of the Project raises some doubts on the effectiveness and sustainability of the MSP. None monopoly is welfare enhancing.

Issue #2: Matching demand and supply of services. The MSP propose to give "services" activities to ME, in the following areas: market support services, technical assistance, training, market information, training to grassroots organizations, courses, etc.

Comment: We believe that the number of services offered are too much. We suggest to reduce them just to one or two, because of two reasons: (i) Specialization is preferred to diversification in terms of efficiency. The idea here is to explote the comparative advantage of each institution supporting ME in the country. (ii) There may be a mismatch between demand and supply of services. Thus, imagine that the Project is successful in bringing the attention and goodness of the Project to an important part of the ME. The total number of ME in the country may be around above 1 million, since just in Lima they amounted to nearly 800,000 (see following table). Assuming, conservatively, that 1 out of 10 enterprises would request services from the project once a year (i.e.: 10% of the total ME), that means that the Project would have to attend at least 100,000 assistance requests in one year (i.e.: nearly 300 a day, and of course, we assume they will be rightly processed!). Does the project have an adequate installed capacity to attend this number of requests?

<u>Number of workers</u>	<u>Number of firms</u>	<u>%</u>
1	515,000	67%
2-4	227,000	29%
5-9	24,000	3%
10-50	8,000	1%
Total	774,000	100%

Source: ECR, p. 7.

Issue #3: Demand-driven methodology.

Issue #4: The Information and Documentation Center (CID).

Comment: It is not clear the degree of complementarily and/or substitution between the CID as proposed in the PPS and the COFIDE's Center for ME and the APEMIPE's Information Center. As far as we understand, the COFIDE's Center

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right now attends requests of information on credit lines for ME, technical assistance by SENATI and the Universidad de Ingeniería. The PPS does not establish clearly the differences among the existing support centers for ME.

Issue #5: Job creation: MSP established (p. 24) that: "By the end of the Project implementation period, it is expected that the following results will have been achieved:
"More than 36,500 jobs created (full and part time). "

Comment: Where does this number come from?. Apparently the figure is overstated. Why?. Consider that the total LOP is US\$ 27.5 million. Even assuming that these resources were fully allocated to job creation activities, that means that the cost of creation of one job averages US\$ 764. However Villaran (1993) ¹ reports that the average cost per job is around US\$ 1,560, so the job created would amount to just 17,600, figure that is almost half of the one stated in the PPS.

Table 2 Cost per job created in different activities

Part-time rural job	(US\$)	1,010
Part-time urban job		2,200
Support to Microenterprise 1/		2,000
Employment generation in the Small Business 2/		4,500
Average		1,560

1/ Microenterprise: firm's average size: 3 people

2/ Small Business: firm's average size: 6 people

Source: Villarán (1993), p. 234.

¹ Villarán, Fernando. 1993. Empleo y Pequeña Empresa en el Perú. Fundación Friedrich Ebert. Table 16, p. 234

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Issue #6: Why the budget still allocate resources to the Export Panel Activities (p. 46, Table C).

Comment: Isn't that Panel was going to be replaced by the Microenterprise Panel. Maybe there has been a mistake in the wording in the table.

ANNEX B

**FORMATS FOR MICROENTERPRISE ASSESSMENT
OF SIERRA/SELVA SPECIAL PROGRAMS**

**CONVENIO ADEX-AID
MSP**

AREA DE PROYECTOS ESPECIALES

**FORMATOS PARA EL MONITOREO SUPERVISION Y
EVALUACION DE LOS PROGRAMAS
EL AREA DE SIERRA Y SELVA**

12 de enero de 1995

PRESENTACION

En este documento se presentan los formatos que deben aplicarse en los Programas de Sierra y Selva, a fin realizar tanto el seguimiento y monitoreo de las actividades propios de la Gerencia de Proyectos Especiales, así como la medición de impacto de los Programas en los pequeños productores y sus organizaciones de base.

En el diseño de formatos; para medir el impacto se ha tomado como marco orientador los indicadores en términos de los objetivos globales del MSP; esto es: La generación de empleo con especial referencia a la mujer. Incremento de ingreso de las familias de los pequeños productores. Y fortalecimiento de las organizaciones de base; cabe advertir que estos formatos complementan el sistema de evaluación y seguimiento implementados en el MSP por el Contratista Institucional.

Para el seguimiento y monitoreo de las actividades en campo se ha tomado en consideración que el sistema debe en primer lugar ofrecer una base para la planificación mensual de actividades, así como, asegurar el cumplimiento de las mismas en el campo.

Los formatos son los siguientes :

DB-1,	Padrón de Beneficiarios
DB-2,	Estructura Productiva y Social por Zonas
P-1,	Programa Anual de Actividades
P-2,	Programa Mensual de Actividades
M-1,	Reporte Mensual de Actividades por Extensionistas
M-2,	Consolidado Mensual de Actividades por Zona
M-3,	Seguimiento de Actividades en Campo de Productores y control de aportes
M-4,	Consolidado: Resultados de Evaluación Económica
SEGUI-1	Hoja de Seguimiento en Campo de Productores que Aplican la Tecnología Recomendada por el MSP

Los formatos cubren los campos de provisión de información de base, complementario a los baseline (formatos DB). Planificación de actividades (formatos P). Control de actividades por nuestros técnicos (formatos M) y la estimación de indicadores de progreso (formatos SEGUI).

Mediante formatos de planificación (P) y de monitoreo (M) se hará un seguimiento y control de las acciones de los técnicos en el campo; ya que en la aplicación de los formatos intervienen como proveedores de información: los propios beneficiarios y como captadores de información: los propios técnicos. En este sentido se produce una profunda interacción, que asegura la realización de los Programas.

CONVENIO ADEX AID
MSP

FORMATO DB-1
PADRON DE BENEFICIARIOS

Comité local ¹ _____

Producto ² : _____ Nombre del Presidente del Comité
Caserio : _____
Microcuenca : _____ Nombre de Promotores
Distrito : _____
Provincia : _____

No	Nombre y Apellidos	Total ha del predio	Has Cultivo MSP ³	Has con MSP ⁴	Rdto K/ha ⁵	Familia Jefe ⁶	Mujeres Predio ⁷	Ingreso Mensual ⁸	Variedades de Cultivo MSP
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									

B-5

¹ Anotar el nombre del comité local, o si fuera el caso el nombre de la asociación de productores o de la Comunidad Campesina

² Consignar el producto atendido por el MSP que corresponda

³ Anotar el total de has del cultivo atendido por el MSP

⁴ Anotar el número de has que el productor aplicará las recomendaciones que le diga el MSP

⁵ Anotar el rendimiento en k/ha que el productor obtenía antes de su participación en el Programa

⁶ Reporte el número de personas que viven dentro del hogar del jefe de familia

⁷ Consigne el número de mujeres de 15 a 60 años que viven dentro del hogar del jefe de familia

⁸ Anotar el ingreso promedio anual del Hogar

12									
13									
14									
15									
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18									
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39									

B-6

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Producto _____
Zona _____

Responsable General _____
Extensionista _____

[illegible]

²Consignar el total de has que reportaron los miembros del comité

³ Anotar el total de ha del cultivo objeto de atención del MSP

⁴ Anotar el total de has que los productores de cada comité indicó que aplicará las recomendaciones del MSP

⁵ Rendimiento promedio en el comité en base a las declaraciones consignadas en el formato DB-1

⁶Total de personas en las Unidades Agropecuarias del Comité, en base al formato DB-1

⁷ Total de mujeres por comité según información consignada en el formato DB-1

⁸Ingreso promedio anual de los miembros del comité en base a los formatos DB-1

PROGRAMA² _____
Mes de Inicio _____

[illegible]

¹ Este programa será elaborado por los Jefes Técnicos Nacionales, un representante del Área de Proyectos Especiales, los técnicos locales y los dirigentes de las Asociaciones de Productores, en base al Programa de trabajo anexo al Sub-convenio correspondiente. Este formato es importante porque será el punto de partida para la preparación de los programas mensuales de trabajo y el desembolso de partidas

² En caso del programa de Café se elaborará un programa de trabajo por cada una de las regiones

³Consignar las actividades referidas a la producción y productividad. Se reportan las actividades técnicas o labores culturales para incrementar la productividad y calidad : almácigos, poda, etc. Ver hoja adjunta

Formato P-2
PROGRAMA MENSUAL DE ACTIVIDADES

PROGRAMA

Extensionista

Extensionista

¹ Este formato será llenado en forma mensual por los extensionistas de cada zona y visado por el Jefe Técnico Nacional. Para elaborar el plan de trabajo mensual debe de partirse de la programación anual.

² Consignar el día que se piensa realizar la visita a los comités

³ Anotar las labores que efectuará durante la visita a los comités: conducción de viveros, combate de roya, manejo de esquejes, compra de insumos para el centro de acopio, etc.

⁴Consignar con una X que método de extensión piensa aplicar en la visita a los comités: Visita a productores, día de campo, parcela demostrativa, etc.

⁵ Especificar

[illegible]

Información de Referencia a los Formatos P-1 y P-2

ACTIVIDADES DE PRODUCTIVIDAD Y MEJOR CALIDAD

LABORES CULTURALES

Germinadores:

- Preparación de viveros
- Instalación de viveros
- Manejo de viveros

Cama de Almacigos:

- Preparación de camas de almacigo
- Manejo de camas de almacigo

Transplante:

- Marcado de campo
- Rayado de campo
- Transplante

Poda:

- Poda
- Deschuponado

Manejo de Sombra:

- Manejo de plantas
- Instalación de viveros
- Marcado de campo
- Rayado
- Transplante

Sanidad:

- Control de broca, roya, nemátodes

Fertilización

- Principal
- Complementaria
- Suplementaria

EN BENEFICIO

- Secado
- Almacenado
- Transporte
- Comercialización

22

Formato M-1

Nombre del extensionista _____

Correspondiente al mes de _____

— 15 —

! Este formato viene a constituir el reporte mensual de actividades del mes. Su llenado debe ser en forma diaria

² Visitas a productores, charlas a grupos de productores, parcelas demostrativas, conducción de semilleros, germinadores y viveros, días de campo, cursos a productores, otros (especificar)

³Nota: si realiza varias actividades en un mismo día en un Comité, utilice una línea para cada uno de ellas

⁴ Número de asistentes: consignar el número de personas que asistió a la practica o evento, entre paréntesis consigne el número de mujeres que asistieron

Indicar la labor o recomendación por actividad, por ejemplo: Viveros: desinfección de camas. Día de campo: demostración de labores de poda, Planta de beneficio: demostración de preparación de pasta de cacao.

⁶ Esta referido a número de plántones, kilos comercializados o has atendidas por acción de la labor

⁷Firma del presidente del comité o asociación de productores

[illegible]

⁸DEFINICIONES DE LAS LABORES:

Charlas a grupos de productores, Está referido a las charlas técnicas que se da a un grupo de productores en las visitas a los comités

Parcelas demostrativas. Se refiere a parcelas sobre las cuales se ha aplicado nuevas tecnologías por parte del Programa. Se contabiliza en el momento de su instalación y se mide en número y en ha.

Semilleros o viveros. Se refiere a la instalación y conducción de viveros, se mide en plantones o ha y en número

Data de campo. Medido en número de eventos. Cada evento considera una serie de acciones dirigidas a convocar a productores para evaluar resultados de determinadas actividades de las parcela.

Cursos a productores, Medido en número de eventos. Cada evento considera una serie de acciones dirigidas a convocar a productores de más de un comité para recibir charlas

Centros de Acoplo, Medidos en locales instalados

Programa piloto de beneficio, instalaciones en donde se realiza el beneficio de los productos objeto del Programa

Formato M-2
CONSOLIDADO MENSUAL DE ACTIVIDADES POR ZONA ZONA 1

Vo Bo del Jefe Técnico Regional _____
Vo Bo del Presidente Regional _____
Fecha _____

[illegible]

B-15

² Comprende el ámbito en donde están los comités atendidos por el extensionista

³ Número de veces que se lleva a cabo el evento por comité en el periodo de informe

⁴ Número de semilleros, plantones, centros de acopio que existen en el comité y que fueron atendidos por el extensionista

⁵ Cantidad de semilla (k), plantones (No), producto procesado en el centro de acopio o planta de beneficio (K), entre otros

**CONVENIO ADEX AID
MSP**

FORMATO SEGUI-1

HOJA DE SEGUIMIENTO DE CAMPOS DE PRODUCTORES QUE APLICAN LA TECNOLOGIA RECOMENDADA POR EL MSP ¹

Programa _____

Zona _____

Comité

Nombre del productor _____

[illegible]

¹ Este formato debe ser aplicado a 2 productores por comité. Se aplica en cada una de las visitas que el extensionista realice al comité en donde se anota la labor que realizó el productor durante ese mes

2. Consignar según corresponda: Jornales, ha, kilos, etc.

3 Se debe consignar toda la mano de obra empleada tanto familiar, reciproca como contratada. Para registrar la mano de obra de la mujer se anota el total de la mano de obra empleada en la labor y entre paréntesis se anota la mano de obra femenina. Ejemplo: la cifra 30(10) quiere decir que se gasto 30 jornales en cosecha durante el mes de marzo de los cuales 10 corresponden a mano de obra de la mujer

	SEMILLEROS O VIVEROS													
	INSUMOS													
	VENTAS REALIZADAS													

85-

ANNEX C
OVERVIEW ON THE MSP PROJECT

57

OVERVIEW ON THE MSP PROJECT

A. Brief History

1. Project Changes

- Investment and Export Promotion (IEP) -- 9/91 - 3/93
- Export Trade and Development (ETD) -- 3/93 - 9/94
- Microenterprise Support Project (MSP -- 9/94 - Present

2. Major Changes from ETD to MSP

- Products

Eliminated: Lumber, Fisheries, Metalworking, Silkworm, Natural Dyes

Added: Yellow potatoe, apparel, shoes, alpaca, andean grains.

- Clients

Eliminated: Large and medium-size companies (100-300 clients)

Added: Poor Microenterprise and Small Producers (Thousands of clients)

- Services

Eliminated: Plant Health, Hazard Analysis and Critical Control Points (HACCP).

Added: Credit and Anti-Poverty Lending, Strengthening Grassroots Organizations, Specialized Sierra/Selva Program.

- Project Goal and Purpose:

Eliminated: Exclusive export strategy for small to large exporters

Added: Link MEs to domestic and export markets; Increase in incomes and employment of MEs; Strengthen membership organizations.

- Project Strategy for T.A.:

Eliminated: Focus on firm-level T.A.; Focus on international T.A.

Added: "Grouped" T.A. to ME and Small Producer Associations and Organizations; Emphasize more local T.A.

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B. MSP Project Strategy

1. Demand-Driven

- Examine windows of opportunity (e.g. onions in the U.S. Dec. to Feb., extend mango season by 2 months, sell beans in U.S. Jan. - July)
- Link large/medium companies (buyers) to micros (e.g. handicraft exporters)
- Produce to buyer specifications (e.g. onions, handicrafts)

2. Results-Oriented

- Extensive Monitoring System
- Monthly Management Reporting System
- Annual Work Plan which ties "Critical Steps" to EOP Indicators (e.g. sales, jobs)

3. Leverage Resources

- International Donors (e.g. Canadians \$ 1 million, EEC \$1.2 million)
- Wholesaler of services to ME Associations and Producer Groups
- Organized Agricultural "GATs" -- Grupos de Asistencia Tecnica; Apparel CAMs -- Centro de Apoyo al Microempresa

4. Target Products and Clients

- Limit list to products that can generate results in four year project period
- Combine criteria of helping the "poor majority" with demand driven, results-oriented approach
- Remain flexible to eliminate products, change strategy where above criteria are not being met (e.g. asparagus)

C. Project Organization

1. Project Management

- USAID: Project Manager = Alan Davis, Project Coordinator = Eduardo Alvaredo and Connie Gutierrez
- ADEX: President = Juan Enrique Pendavis, General Manager of Cooperative Agreement = Dante Ciari
- Institutional Contractor (LBII): Chief of Party = Rod Carvajal, Deputy Chief of Party = Jim Rudolph, Technical Assistance Coordinator/Agric. Specialist = Alfredo Mendivil,

2. Coastal Agricultural Program

- Management: Manager = Luis Castillo (Lucho); Specialist = Christian Door
- Products: Sweet Onions, Dried Beans, Garlic, Key Lime, Mango

3. Microenterprise Program

- Management: Manager = Antonio Tacchino; Handicrafts Specialist = Javier Escandón
- Products: Handicrafts, Wearing Apparel, Shoes

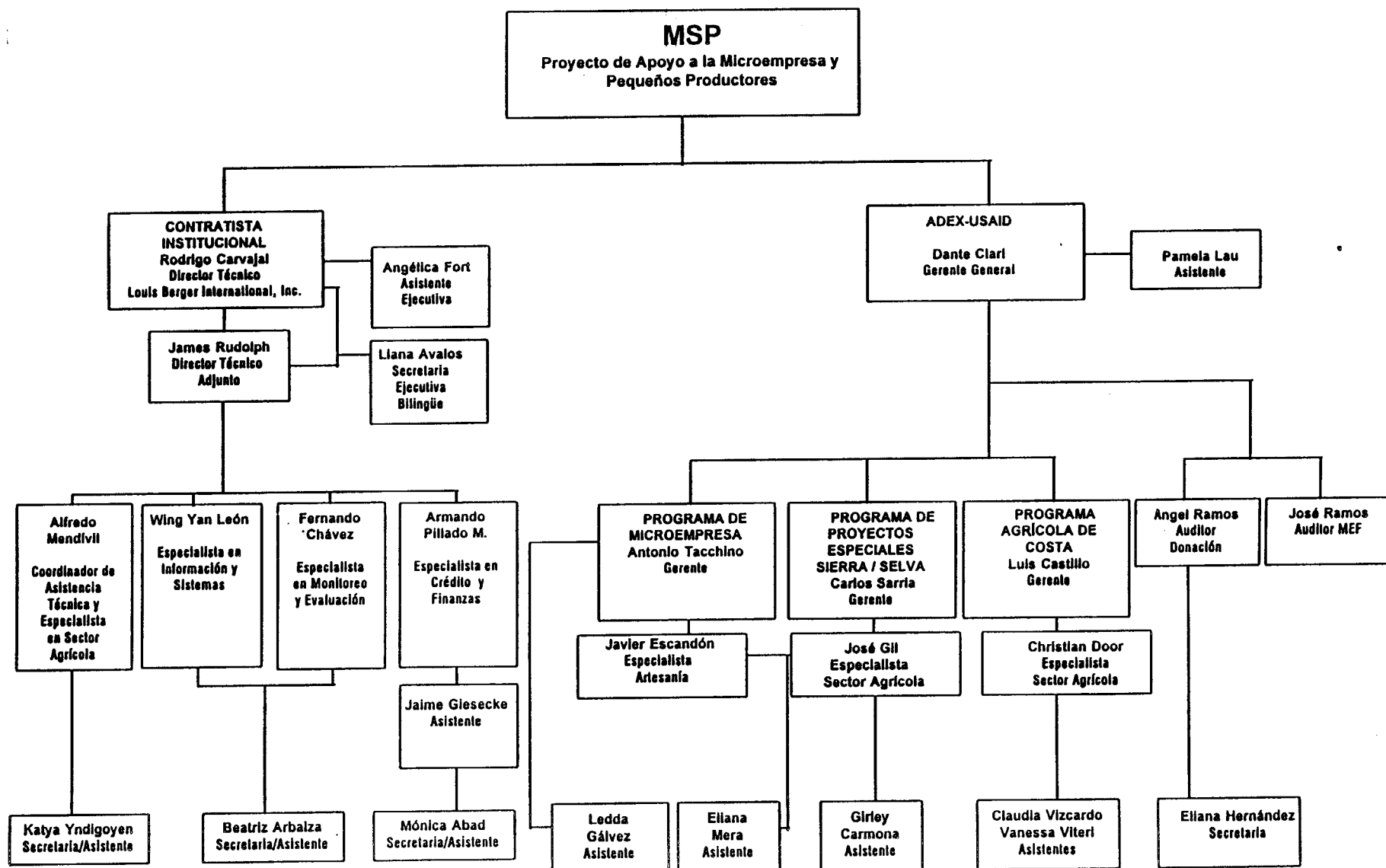
4. Sierra/Selva Program

- Management: Manager = Carlos Sarria; Specialist = José Gil (Pepe)
- Products: Coffee, Yellow Potatoes, Cacao, Malaysian Shrimp, Alpaca, Andean Grains

5. Support Services

- Credit Access Program: Manager = Armando Pillado; APPLE Specialist = Jaime Giesecke
- Monitoring and Evaluation: Manager = Fernando Chávez
- Information Systems Specialist: Manager = Wing Yan León

NOMBRES Y CARGOS DEL STAFF PRINCIPAL DEL CONVENIO ADEX-USAID



MSP PRODUCTS

COASTAL AGRICULTURE PROGRAM

1. Sweet Yellow Onions
2. Dried Beans
3. Garlic
4. Key Limes
5. Mango
6. Asparagus (cancelled in June)

SIERRA-SELVA SPECIAL PROGRAMS

1. Coffee
2. Yellow Potato
3. Cacao
4. Malaysian Shrimp
5. Alpaca
6. Andean Grains

MICROENTERPRISE PROGRAM

1. Handicrafts

- a. ceramics
- b. woven rugs and tapestries
- c. handknit sweaters
- d. painted wood
- e. painted glass
- f. silversmithing

2. Wearing Apparel

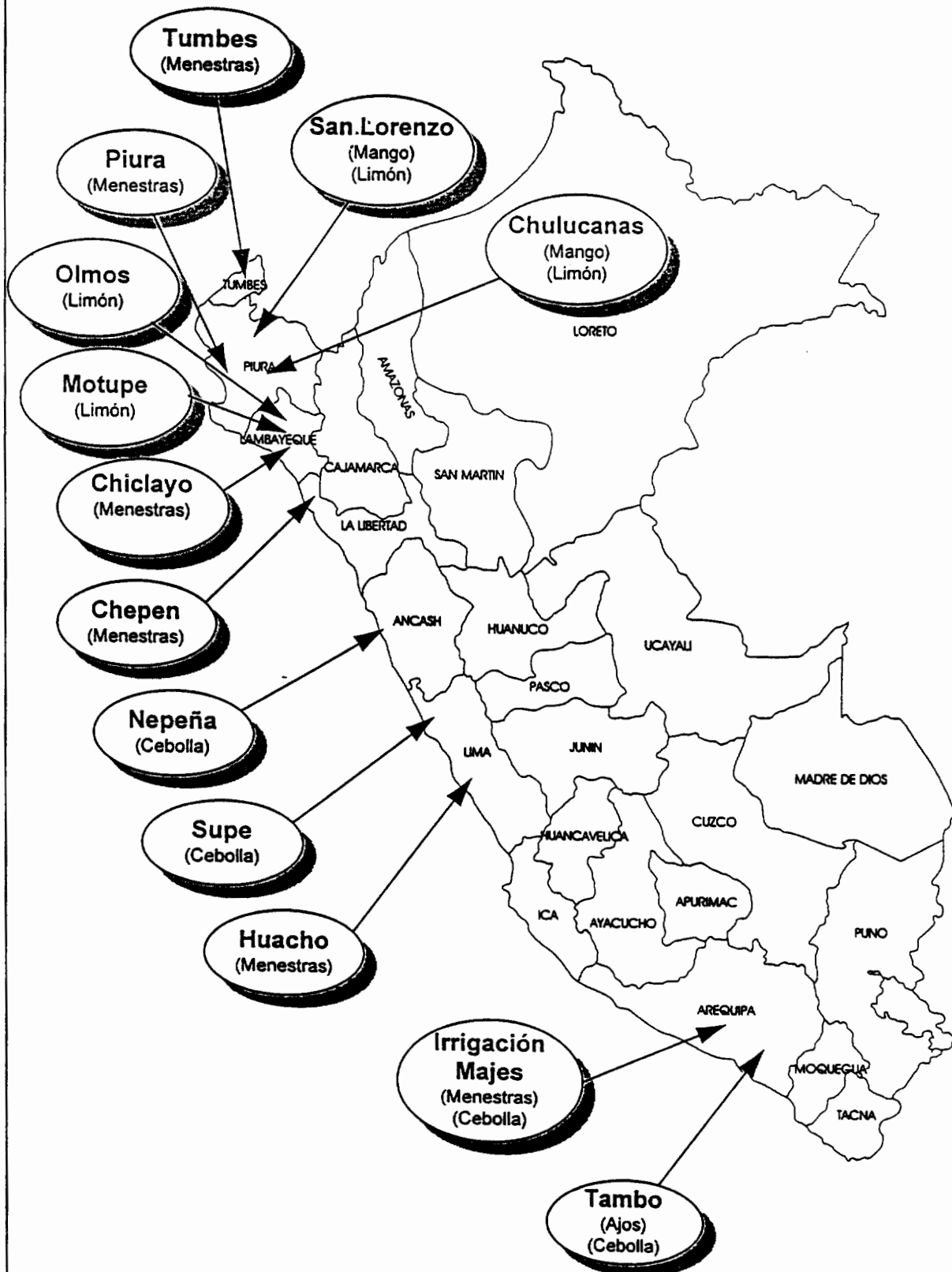
casual and sport wear for women, men, and children

3. Shoes

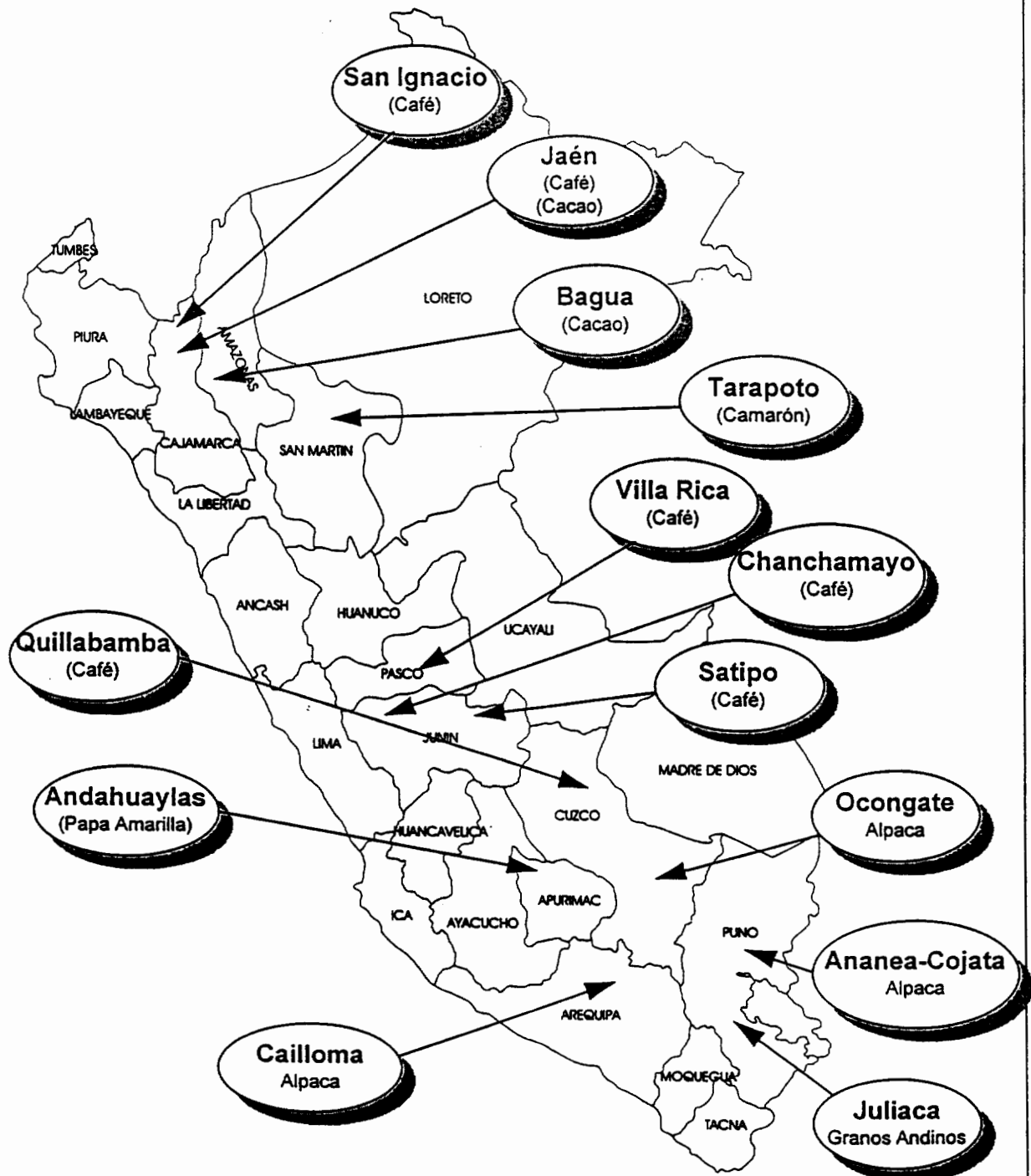
- a. leather uppers/leather soles
- b. leather uppers/non-leather soles
- c. leather uppers/steel toes

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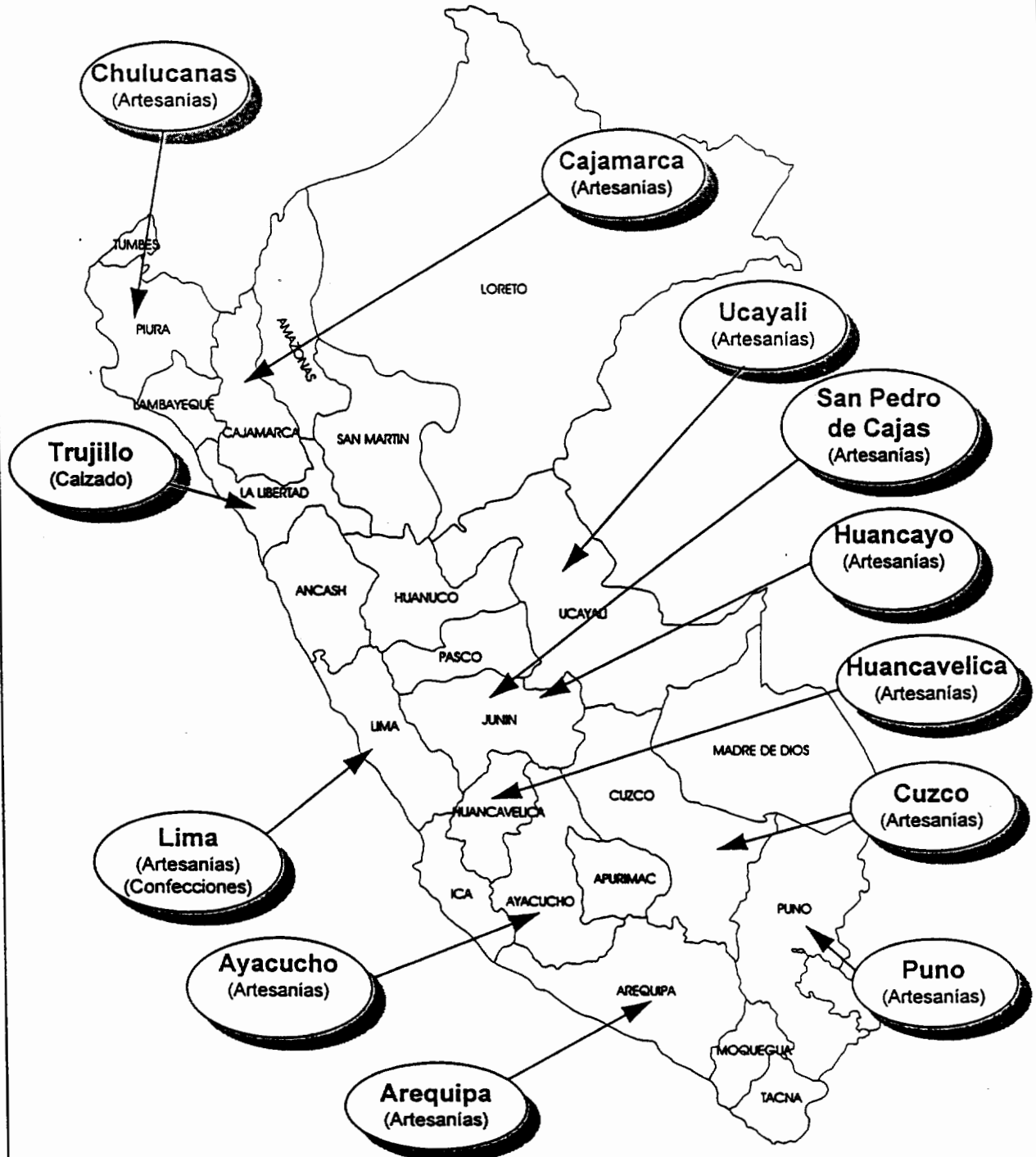
Programa Agrícola - Costa



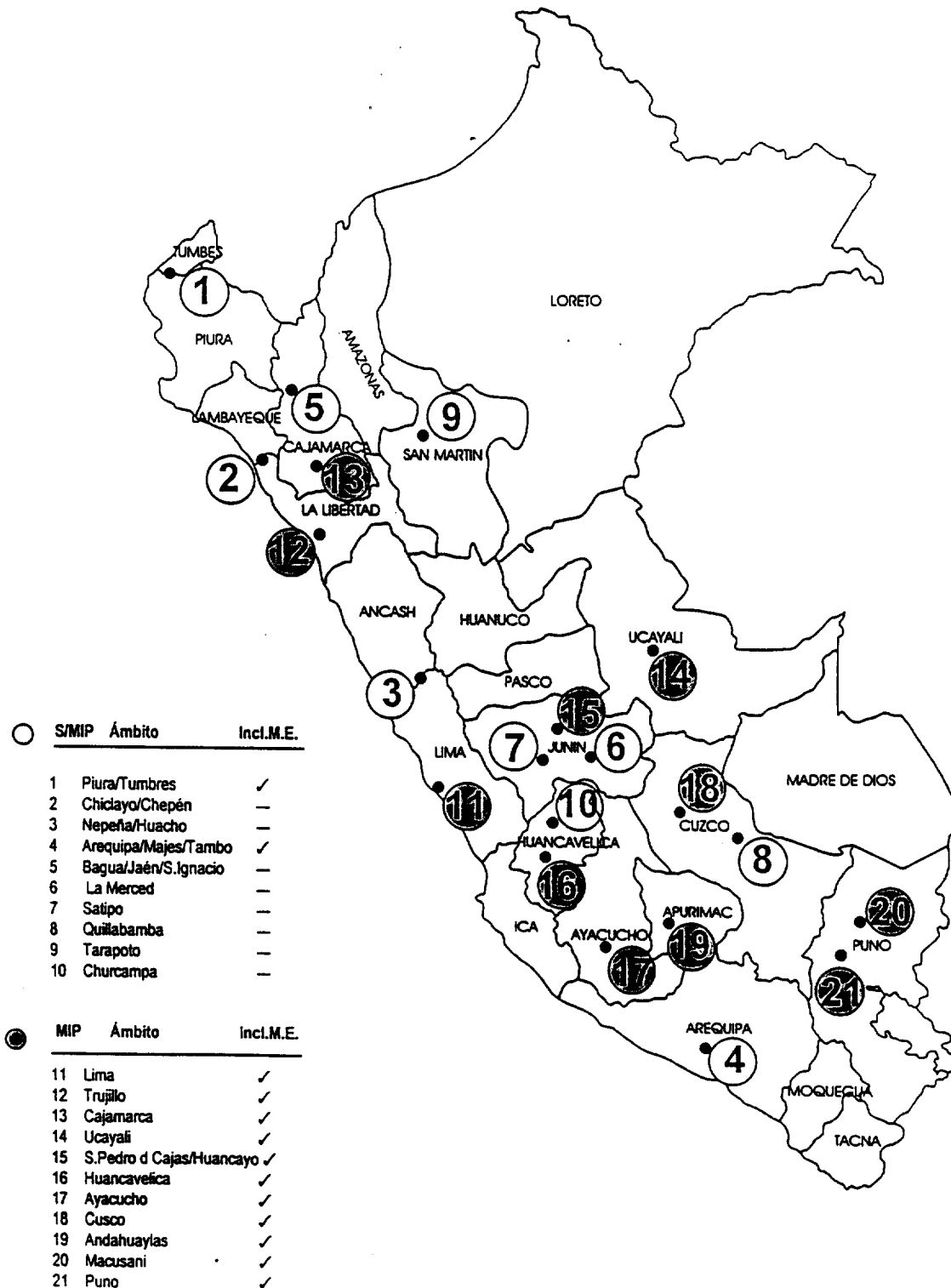
Programa Agrícola - Sierra/Selva



Programa de Microempresa



Credit Access Program



D-1

ANNEX D

EVALUATION TEAM SCHEDULE OF ACTIVITIES

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PROGRAMA DE ACTIVIDADES

FECHA		David Anderson		Fernando Fernández		Tamara Tiffany
Miércoles 2		Preparación de Proyecto				
Jueves 3		Preparación de Proyecto				
Viernes 4		De Oregon a Lima; Perú				
Sábado 5		Revisión de documentos del Proyecto MSP				
Lunes 7		Domingo trabajo no oficial. Arribo de F.F.				
Domingo 6	8:00	Reunión en USAID				
	15:00	ADEX				
Martes 8		Revisión de los Reportes del Proyecto en las oficinas del Convenio ADEX-AID/MSP				
Miércoles 9	8:00	Viaje a Supe con Ing. Alfredo Mendivil/Programa de Cebolla		Trabajo desarrollado en empresas del Programa en Lima		Revisión de documentos
Jueves 10					8:30	Reunión Robil Bell DAI Re.: Evaluación APPLE
	9:00	Reunión equipo de evaluadores	9:00	Reunión equipo de evaluadores	9:00	Reunión equipo de evaluadores
	12:00	Reunión Gerencia LBII - ADEX	12:00	Reunión Gerencia LBII - ADEX	12:00	Reunión Gerencia LBII - ADEX
	16:00	Reunión E. Albareda - C. Gutiérrez de USAID	16:00	Reunión E. Albareda - C. Gutiérrez de USAID	16:00	Reunión E. Albareda - C. Gutierrez de USAID
Viernes 11			8:30	Reunión con Dante Ciari (Gerente General del Convenio) y Rodrigo Carvajal (Director Técnico)		
	9:00	Reunión Gerencia LBII-ADEX	9:00	Reunión Gerencia LBII-ADEX	9:00	Reunión Gerencia LBII-ADEX
	14:30	Presentación Plan de Trabajo USAID	14:30	Presentación Plan de Trabajo USAID	14:30	Presentación Plan de Trabajo USAID
Sábado 12		Revisión de Documentos		Revisión de Documentos		Revisión de Documentos

END

1 of 2

Page # 98

Lunes 14			6:30	Viaje a Ayacucho/Trabajo desarrollado en talleres de textiles		
	8:00	ADEX	8:00	Trabajo desarrollado en talleres textiles		
					8:30	Reunión Armando Pillado/Créditos ME
			9:00	Visita al Taller de Artesanía de Teófila Salas de Parwa		
			9:30	Visita al Centro Artesanal Raymisa		
			10:00	Visita al taller de Santa Ana		
			10:30	Visita a la Cooperativa de Servicios Textiles		
			11:00	Visita al Complejo Artesanal Puricuti		
	12:00	Reunión A. Davis E. Albareda USAID	12:00	Visita a los talleres de Allpa	12:00	Reunión A. Davis E. Albareda USAID
			12:30	Visita al artesano de Berama Trading		
			13:00	Visita al artesano Alejo Fernandez de Raymisa		
			13:30	Visita al artesano Ezequiel Gomez de Raymisa		
					14:30	Reunión Jaime Giesecke/APPLE
			15:00	Visita al artesano Moisés Aedo de Parwa		
			15:30	Visita al artesano Teodoro Flores de CIAP		
			16:00	Visita a negocios artesanales de la ciudad		
Martes 15	8:00	Viaje a Piura con Ing. Luis Castillo/Programa de Mango, Menestras y Limón				
					9:30	Sr. Gorriti CEPES Av. Salaverry 818 Jesus Maria
			10:00	Regreso de Ayacucho		
			12:00	Villa El Salvador/Trabajo de asistencia técnica en confecciones	12:00	Alberto Pérez Technoserve oficina ADEX

			14:30	Análisis de la situación de los talleres previa a la asistencia técnica		
			15:00	Preparación de informe situación de los talleres previa y posterior a la asistencia técnica		
	16:30			Aplicación del sistema SICO		
Miérc. 16	7:30	Salida a Cieneguilla Centro				
	8:00	Piura	8:00	Viaje a Cuzco/Trabajo desarrollado en talleres de artesanía		
	8:15	Visita parcela Jaime Morán (limón)				
	8:50	Visita parcela David Vásquez (limón)				
					9:00	Guillermo Fajardo CARE-PERU Gral. Sta. Cruz 659 Jesús María
	9:25	Salida Valle de los Sauces Los Incas (San Lorenzo)				
	9:40	Visita parcela Santos Yovera (limón)				
	10:00	Visitas a campos de limón y mangos.		Trabajo desarrollado en talleres de artesanía Joyería ALLPA		
	10:50	Salida a Hualtaco III				
	11:15	Visita parcela Víctor Silupu (limón)				
	11:50	Salida a Malingas				
	12:05	Reunión con el Comité Técnico de Fundación Hualtaco.			12:00	Jesús Aguilar COPEME Jr. Félix Olcay 417 San Antonio Miraflores
		Visita parcela Santos Cotrina (mango)				
	12:40	Visita parcela A. Celli (mango)				
			13:00	Visita a Talleres de Cerámica en Pisac (PARWA)		
	13:15	Salida a San Isidro II				

	13:35	Visita parcela Jorge Niño (mango)				
	14:10	Salida a partidor				
	14:25	Visita parcela María Quijano (mango)				
	15:00	Salida a Yuscay				
	15:10	Visita parcela Miguel Castillo (mango)				
	15:45	Retorno a Piura (Hotel)				
	17:00	Reunión Comité Técnico (Oficina Fundación Hualtaco)	17:00	Chompas: Benita Cutipa		
	19:00	Reunión Comité Técnico (Oficina Fundación Hualtaco)			19:00	Viaje a Piura
	20:00	Término de día de trabajo				
Jueves 17	7:30	Salida a Morropón				
	8:00	Reunión con pequeños productores de café (hora por confirmar)	8:00	Retorno a Lima	8:00	Visita a la Unidad de Servicios Financieros CEPES
		Visita a campo de menestras				
	9:00	Visita parcela Damacio Nuñez (Sector Francos)				
	10:00	Visita parcela Máximo Nonajulca (Sector Pasalacua)				
	11:00	Salida a Buenos Aires				
	11:15	Visita parcela Luis Franco Mendoza				
	12:00	Visita parcela Higino Salcedo				
	12:30	Salida a Laines				
	12:40	Visita a Ricardo Rosas				
	13:10	Salida a San Lorenzo (vía Chulucanas)				
	14:20	Vista a Vivero Hualtaco				
	15:20	Salida a Piura				
	16:40	Llegada a Piura				
	17:00	Regreso a Lima				
	18:00	Retorno a Lima				
					21:00	Reunión J. Noda ACIDI

Viernes 18	8:00	Viaje a Chanchamayo con Ing. José Gil/Programa de Café	8:00	Viaje a Huancayo/Trabajo desarrollado en talleres de chompas con coordinadora rural		
		Visita a ANPROCAFE. Visitas a campos de café.			11:30	Jacinta Harman COFIDE Augusto Tamayo 160 San Isidro
Sábado 19	8:00	Chanchamayo				
Domingo 20		Reunión Equipo de Evaluadores		Reunión Equipo de Evaluadores		Reunión Equipo de Evaluadores . (Conversar con los evaluadores si pueden tener una reunión con E. Albareda el día Lunes)
Lunes 21		Lima	8:00	Por confirmar visita a 12 talleres de Villa El Salvador	8:30	Iris Lanao FINCA Domingo Casanova 151 Lince
					15:00	Jorge Orosa y Toña Zapata CRS Vasco Nuñez de Balboa 619 Miraflores
Martes 22	7:00	Viaje a Andahuaylas con Ing. Carlos Sarria/Programa de Papa Amarilla				
		Visitas al campo de productores de papas			11:00	Martín Villafuerte FOGAPI Av. Central 671 piso 10 San Isidro Edif. El Mirador
					3:00	Sr. Ivan Miflin PYME Piso 11 del Ministerio de Industria Calle 1 Oeste S/N San Isidro
	19:00	Reunión con la Asociación de Productores Agrarios de Semillas APASA				
Miérc. 23		Andahuaylas. Regreso a Lima	8:00	Trabajo desarrollado en talleres de cerámica		

			17:00	Visita a algunos talleres de ATE		
Jueves 24		Lima			6:15	Viaje a Arequipa Visita al CIED Tambo con el Sr. Jaime Giesecke
Viernes 25	8:00	Lima				Visita al CIED
Sábado 26	8:00	Viaje a Cusco				Redacción de la Evaluación.
Domingo 27	8:00	Trabajo no oficial				
Lunes 28	8:00	Preparación de presentación de los resultados preliminares de la evaluación		Reunión equipo de evaluadores		Redacción de la Evaluación. Reunión equipo de evaluadores
Martes 29		Presentación de los resultados y recomendaciones preliminares de la evaluación a la Gerencia LBII-ADEX		Presentación de los resultados y recomendaciones preliminares de la evaluación a la Gerencia LBII-ADEX		Presentación de los resultados y recomendaciones preliminares de la evaluación a la Gerencia LBII-ADEX
	14:00	Presentación preliminar de los resultados y recomendaciones preliminares de la evaluación a USAID		Presentación preliminar de los resultados y recomendaciones preliminares de la evaluación a USAID		Presentación preliminar de los resultados y recomendaciones preliminares de la evaluación a USAID
Jueves 31						
SETIEMBRE						
Viernes 1		Finalización de la Evaluación		Finalización de la Evaluación		Salida de Perú
Sábado 2		Salida de Perú		Salida de Perú		

ANNEX E

LIST OF MSP CONSULTANTS DURING 1995

EXPERTOS 1994-1995

NOMBRE	NACIONALIDAD	RESIDENCIA	PROGRAMA	DIAS EFECTIVOS	ARRIBO	SALIDA
Benson, Brian	Americano	EE.UU	Costa/ACDI-Espárragos	7	15/1/94	23/1/94
Bell, Charles	Americano	EE.UU	LBII/ETD	4	4/2/94	8/2/94
Barnett, Brian	Americano	EE.UU	LBII	19	6/2/94	28/2/94
Jichlinski, Michel	Americano	EE.UU	LBII/ETD	6	21/2/94	26/2/94
Barnett, Brian	Americano	EE.UU	LBII	15	1/3/94	18/3/94
Bell, Charles	Americano	EE.UU	LBII/PPS	12	6/3/94	19/3/94
Bell, Charles	Americano	EE.UU	LBII/PPS	6	4/5/94	11/5/94
Thomas, Joseph	Americano	EE.UU	Comunicaciones/IGI	6	21/5/94	28/5/94
Benson, Brian	Americano	EE.UU	Costa/ACDI-Espárragos	9	8/6/94	19/6/94
Thomas, Joseph	Americano	EE.UU	Comunicaciones/IGI	6	12/6/94	18/6/94
Bell, Charles	Americano	EE.UU	LBII	10	18/6/94	30/6/94
Vilchez, Miguel	Peruano	EE.UU	Costa/Menestras	6	19/6/94	26/6/94
Cortes, Joseph	Americano	EE.UU	Costa/Semillas	18	19/6/94	9/7/94
Mundo, Manuel	Mexicano	EE.UU	Costa/Limon-Ajo	10	26/6/94	7/7/94
Bell, Charles	Americano	EE.UU	LBII	8	1/7/94	10/7/94
Mott, William	Americano	EE.UU	AGLAND	13	12/7/94	27/7/94
Thomas, Joseph	Americano	EE.UU	Comunicaciones/IGI	6	17/7/94	23/7/94
Glass, Sally	Americana	EE.UU	Comunicaciones/IGI	12	14/8/94	27/8/94
Thomas, Joseph	Americano	EE.UU	Comunicaciones/IGI	6	21/8/94	27/8/94
Mundo, Manuel	Mexicano	EE.UU	Costa/Limon-Ajo	4	31/8/94	4/9/94
Vilchez, Miguel	Peruano	EE.UU	Costa/Menestras	5	1/9/94	6/9/94
Hidalgo, Gerardo	Costarricense	Costa Rica	Selva/Café	12	5/9/94	18/9/94
Thomas, Joseph	Americano	EE.UU	Comunicaciones/IGI	7	16/9/94	23/9/94
Anderson, Sarah	Americana	EE.UU	Microemp./ATA-Artesanías	15	20/9/94	9/10/94
Carleton, Vincent	Americano	EE.UU	Microemp./ATA-Artesanías	15	20/9/94	9/10/94
Dickenson, Julia	Americana	EE.UU	Microemp./ATA-Artesanías	15	20/9/94	9/10/94
Garfinkel, Ron	Americano	EE.UU	Microemp./ATA-Artesanías	15	20/9/94	9/10/94
Lederman, Vicki	Americana	EE.UU	Microemp./ATA-Artesanías	15	20/9/94	9/10/94
Meyer, Sheila	Americana	EE.UU	Microemp./ATA-Artesanías	15	20/9/94	9/10/94
Saylor, Jack	Americano	EE.UU	Microemp./ATA-Artesanías	15	20/9/94	9/10/94
Hidalgo, Gerardo	Costarricense	Costa Rica	Selva/Café	21	3/10/94	26/10/94
Thomas, Joseph	Americano	EE.UU	Comunicaciones/IGI	12	9/10/94	22/10/94
Glass, Sally	Americana	EE.UU	Comunicaciones/IGI	12	9/10/94	22/10/95
Stapleton, James	Americano	EE.UU	Costa/Citrus Survey	9	20/10/94	30/10/94

NOMBRE	NACIONALIDAD	RESIDENCIA	PROGRAMA	DIAS EFECTIVOS	ARRIBO	SALIDA
Bell, Charles	Americano	EE.UU	LBII	8	1/11/94	10/11/94
Glass, Sally	Americana	EE.UU	Comunicaciones/IGI	6	6/11/94	12/11/94
Thomas, Joseph	Americano	EE.UU	Comunicaciones/IGI	6	6/11/94	12/11/94
Scott, William	Americano	EE.UU	AGLAND	12	6/11/94	19/11/94
Delgado, Douglas	Venezolano	Venezuela	Costa/Cebolla	8	17/11/94	26/11/94
Vilchez, Miguel	Peruano	EE.UU	Costa/Menestras	12	19/11/94	3/12/94
Mott, William	Americano	EE.UU	AGLAND	6	27/11/94	4/12/94
Alcalá, Joe	Americano	EE.UU	Costa/Ajo	5	3/12/94	8/12/94
Glass, Sally	Americana	EE.UU	Comunicaciones/IGI	6	4/12/94	10/12/94
Thomas, Joseph	Americano	EE.UU	Comunicaciones/IGI	6	4/12/94	10/12/94
Mundo, Manuel	Mexicano	EE.UU.	Costa/Limon-Ajo	6	4/12/94	11/12/94
Coral, Fausto	Brasileño	Brasil	Selva/Cacao	10	4/12/94	15/12/94
Anderson, Sarah	Americana	EE.UU	Microemp./ATA-Artesanías	11	4/12/94	16/12/94
Bell, Charles	Americano	EE.UU	LBII	6	6/12/94	12/11/94
Pascal, Luz	Americana	EE.UU	FIT/Microempresa-Confec.	17	2/1/95	20/1/95
Meyer, Sheila	Americana	EE.UU	Microemp./ATA-Artesanías	7	20/1/95	28/1/95
Piccha, David	Americano	EE.UU	Costa/Cebolla-Ajo	5	23/1/95	28/1/95
Mundo, Manuel	Mexicano	EE.UU.	Costa/Limon-Ajo	6	29/1/95	4/2/95
Uffre, Jairo	Colombiano	Colombia	Microempresa/Confec.	11	6/2/95	17/2/95
Gil, Claudia	Colombiana	Colombia	Microemp./Confec.	17	6/2/95	24/2/95
Willis, Charles	Americano	EE.UU	Microemp./SISE-Artesanías	21	20/2/95	15/3/95
Gutierrez, Omar	Colombiano	Colombia	Microemp./Confec.	11	6/3/95	17/3/95
Uffre, Jairo	Colombiano	Colombia	Microempresa/Confec.	13	17/3/95	2/4/95
Anderson, Sarah	Americana	EE.UU	Microemp./ATA-Artesanías	14	2/4/95	18/4/95
Ramirez, Teófilo	Costarricense	Costa Rica	Costa/ACDI-Mango	7	17/4/95	25/4/95
Salamanca, Armando	Colombiano	Colombia	Microemp./Confec.	11	17/4/95	28/4/95
Tabora, Pánfilo	Filipino	Costa Rica	Costa/ACDI	6	29/4/95	7/5/95
Anderson, Sarah	Americana	EE.UU	Microemp./ATA-Artesanías	12	29/4/95	13/5/95
De Medeiros O., Jaqueline	Brasileña	Brasil	Selva/Camarón de Malasia	22	14/5/95	8/6/95
Mundo, Manuel	Mexicano	EE.UU.	Costa/Limon-Ajo	7	24/5/95	1/5/95
Carleton, Vincent	Americano	EE.UU	Microemp./ATA-Artesanías	23	27/5/95	23/6/95
Uffre, Jairo	Colombiano	Colombia	Microempresa/Confec.	15	28/5/95	14/6/95
Coral, Fausto	Brasileño	Brasil	Selva/Cacao	14	3/6/95	20/6/95
Gastelú, José Carlos	Brasileño	Brasil	Selva/Camarón de Malasia	27	14/6/95	15/7/95
Uffre, Jairo	Colombiano	Colombia	Microempresa/Confec.	12	21/6/95	5/7/95

NOMBRE	NACIONALIDAD	RESIDENCIA	PROGRAMA	DIAS EFECTIVOS	ARRIBO	SALIDA
Salamanca, Armando	Colombiano	Colombia	Microempresa/Confec.	6	25/6/95	2/7/95
Bell, Charles	Americano	EE.UU	LBII	7	1/7/95	10/7/95
Vilchez, Miguel	Peruano	EE.UU.	Costa/Menestras	12	1/7/95	15/7/95
Anderson, Sarah	Americana	EE.UU	Microemp./ATA-Artesanías	12	3/7/95	16/7/95
Hidalgo, Gerardo	Costarricense	Costa Rica	Selva/Café	23	10/7/95	4/8/95
Hidalgo, Gerardo	Costarricense	Costa Rica	Selva/Café	23	10/7/95	4/8/95
Mundo, Manuel	Mexicano	EE.UU.	Costa/Limon-Ajo	9	12/7/95	23/7/95
Delgado, Douglas	Venezolano	Venezuela	Costa/Cebolla	8	16/7/95	25/7/95
Uffre, Jairo	Colombiano	Colombia	Microempresa/Confec.	12	20/7/95	3/8/95
Pascal, Luz	Americana	EE.UU	FIT/Microempresa-Confec.	24	28/7/95	25/8/95
Barahona, Vladimir	Colombiano	Colombia	Microempresa/Confec.	8	1/8/95	13/8/95
Bell, Charles	Americano	EE.UU	LBII	7	8/8/95	16/8/95
Uffre, Jairo	Colombiano	Colombia	Microempresa/Confec.	12	13/8/95	27/8/95
Jichlinski, Michel	Americano	EE.UU	LBII	3	15/8/95	18/8/95
Stapleton, James	Americano	EE.UU	Costa/Citrus Survey	7	17/8/95	25/8/95
Salamanca, Armando	Colombiano	Colombia	Microempresa/Confec.	6	20/8/95	26/8/95
Barahona, Vladimir	Colombiano	Colombia	Microempresa/Confec.	12	3/9/95	16/9/95
Sarria, Carlos	Colombiano	Colombia	Microempresa/Calzado	19	10/9/95	2/10/95
Randle, William	Americano	EE.UU	Costa/Cebolla	8	17/9/95	26/9/95
Uffre, Jairo	Colombiano	Colombia	Microempresa/Confec.	8	21/9/95	30/9/95
Piccha, David	Americano	EE.UU	Costa	7	2/10/95	9/10/95
Gutierrez, Omar	Colombiano	Colombia	Microempresa/Confec.	11	15/10/95	28/10/95

ANNEX F

MSP FINANCING SOURCES (IN NUEVOS SOLES)

FUENTES DE FINANCIAMIENTO 1995 DEL PROYECTO MSP
(EN NUEVOS SOLES)

5/2.19 / cr. 3.11.95

CUADRO 1

USOS	TOTAL 1995		
	USAID	PL 480 TITULO III	
1. PROGRAMA AGRICOLA DE COSTA 33.3%			
A. Productos	2,478,697	1,458,057	3,936,754
Ajos	135,068	79,452	214,520
Cebolla Amarilla	149,481	87,930	237,411
Limón	370,687	218,051	588,738
Mango	269,957	158,798	428,755
Menestras	1,333,512	784,419	2,117,931
B. Sanidad Vegetal	219,992	129,407	349,399
Base de datos plagas y enfermedades	115,748	68,087	183,835
Prospección de enfermedades citricas	104,244	61,320	165,564
2. PROGRAMAS ESPECIALES SIERRA Y SELVA 32.5%			
A. Productos	2,444,212	1,437,772	3,881,984
Café	759,687	446,875	1,206,562
Cacao	511,742	301,025	812,767
Camarón de la Malasia	38,133	22,431	60,564
Papa amarilla	340,666	200,392	541,058
Granos andinos	365,660	215,094	580,754
Fibra de alpaca	428,324	251,955	680,279
3. DESARROLLO DE MICROEMPRESAS 33.0%			
A. Programas	2,523,091	1,484,171	4,007,262
Artesanías	1,041,291	612,524	1,653,815
Calzado	476,886	280,521	757,407
Confecciones	1,004,914	591,126	1,596,040
TOTAL	7,446,000	4,380,000	11,826,000

per. 11.5.95/96

3,587,355

875.51

113.00

2180.51

952.79

747.37

3,570.21

F-3

1259.99

667.49

135.67

327.91

1709.62

1665.31

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Programa	1.995	1.996	1.997			
Menestras.						
				Ventas totales	Jornales M.	Jornales F.
Ventas S.	177.744	469.800	936.000			
Ventas C.	269.600	9.541.000	19.085.000			
Ventas D.	25.625	625.000	1.375.000			
Ventas Otros	36.000	720.000	2.880.000			
Ventas totales	508.969	11.355.800	24.276.000	36.140.769		
Has. Totales	410	10.000	22.000			
Has. Directas	360	9.000	18.000			
Has. Influidas	60	1.000	4.000			
Cientes	181	3.600	7.200			
J. Femeninos	6.150	150.000	330.000			330.000
J. Masculinos	32.800	800.000	1.760.000		1.760.000	
Mango						
Ventas E.	271.320	1.200.000	3.744.000			
Ventas L.	544.680	1.600.000	1.680.000			
Ventas totales	816.000	2.800.000	5.424.000	9.040.000		
Has. Totales	102	400	800			
Has. Directas	90	200	400			
Has. Influidas	12	200	400			
Cientes	94	200	400			
J. Masculinos	6.120	24.000	48.000		48.000	
Limón						
Ventas totales	702.000	1.800.000	3.600.000	6.102.000		
Has. Totales	90	300	600			
Has. Directas	48	200	400			
Has. Influidas	42	100	200			
Cientes	48	150	300			
J. Masculinos	5.400	18.000	36.000		36.000	
Ajos						
Ventas totales	788.000	1.496.250	2.992.500	5.276.750		
Has. totales	95	250	500			
Has. Directas	95	200	400			
Has. Influidas		50	100			
Cientes	210	250	300			
J. Femeninos	21.375	56.250	112.500			112.500
J. Masculinos	8.075	21.250	42.500		42.500	
Cebolla						
Ventas totales	5.494.424	11.866.000	19.760.000	37.110.424		
Has. Totales	251	600	1.000			
Has. directas	199	500	750			
Has. Influidas	62	100	250			
Cientes	77	170	250			
J. Femeninos	30.622	73.200	122.000			122.000
J. Masculinos	24.849	59.400	99.000		99.000	
				93.669.943	1.986.500	564.500

PROYECTO DE APOYO A LA MICROEMPRESA Y PEQUEÑOS PRODUCTORES (MSP)

nuevos roles pecuarios

PARTIDAS PRESUPUESTARIAS	1er. Trimestre	2do. Trimestre	Julio	Total Ejecutado	Presupuesto Aprobado	Pendiente a Ejecutar
SERVICIOS DE APOYO A LA MICROEMPRESA A LOS PEQUEÑOS PRODUCTORES PROGRAMAS SECTORIALES DE ADEX	654,200.83	654,200.83	119,616.99	1,428,018.65	3,822,824.02	2,394,805.37
Programa Microempresa	177,045.28	177,045.28	153,513.25	507,603.81	1,408,462.05	900,858.24
Personal	81,453.41	0.00	30,197.46	111,650.87	383,554.05	271,903.18
Actividades Programadas	95,591.87	81,453.41	123,315.79	300,361.07	1,024,908.00	724,546.93
Programa de confecciones	23,253.00	95,591.87	68,126.12	186,970.99	443,770.00	256,799.01
Programa de Artesanías	71,487.87	23,253.00	54,346.59	149,087.46	266,708.00	117,620.54
Programa de Calzado	851.00	71,487.87	843.08	73,181.95	314,430.00	241,248.05
Programa Agrícola	405,627.75	0.00	(79,506.58)	326,121.17	2,174,505.45	1,848,384.28
Personal	48,222.50	405,627.75	26,787.81	480,638.06	343,717.45	(136,920.61)
Actividades Programadas	357,405.25	0.00	(106,294.39)	251,110.86	1,830,788.00	1,579,677.14
Programa de Menestras	183,687.25	48,222.50	(173,901.67)	58,008.08	993,416.00	935,407.92
Programa de Mango	17,548.50	357,405.25	22,948.35	397,902.10	215,104.00	(182,798.10)
Programa de Limón	21,541.00	183,687.25	29,136.34	234,364.59	252,638.00	18,273.41
Programa de Cebolla	69,211.81	17,548.50	4,989.35	91,749.66	126,630.00	34,880.34
Programa de Ajo	40,992.36	21,541.00	1,567.50	64,100.86	143,000.00	78,899.14
Programa de Espárrago	24,424.33	69,211.81	8,965.74	102,601.88	100,000.00	(2,601.88)
Fusión (Boletín y Radio)	71,527.80	24,424.33	45,610.32	141,562.45	239,856.52	98,294.07
Edición de Boletín	8,801.32	0.00	5,986.95	14,788.27	31,753.74	16,965.47
Impresión de boletín	22,364.49	71,527.80	23,470.20	117,362.49	109,001.87	(8,360.62)
Envío de Boletines	4,952.78	0.00	760.00	5,712.78	14,433.53	8,720.75
Sala de grabación, Prog. Radial	7,570.20	8,801.32	8,370.68	24,742.20	17,105.97	(7,636.23)
Material, Prog. Radial	6,365.44	22,364.49	0.00	28,729.93	18,826.32	(9,903.61)
Envío de Cassettes, Prog. Radial	11,312.57	4,952.78	1,397.49	17,662.84	6,375.86	(11,286.98)
Honorarios Conductor radial	10,161.00	7,570.20	5,625.00	23,356.20	42,359.23	19,003.03
AJES ESPECIALISTAS	110,616.23	11,312.57	26,029.74	147,958.54	464,382.60	316,424.06
Nacionales Prog. Microempresa	5,994.36	10,161.00	3,232.84	19,388.20	112,957.93	93,569.73
Nacionales Prog. Agrícola	49,425.26	0.00	14,873.81	64,299.07	188,263.22	123,964.15
Nacionales Prog. Sierra y Selva	21,543.73	110,616.23	5,807.06	137,967.02	163,161.45	25,194.43
Internacionales	27,652.88	0.00	2,116.03	29,768.91	0.00	(29,768.91)
ID	81,517.03	49,425.26	38,667.18	169,609.47	310,708.53	141,099.06
Personal	41,264.44	21,543.73	25,058.02	87,866.19	219,714.62	131,848.43
Publicaciones	26,131.34	27,652.88	12,160.14	65,944.36	62,754.41	(3,189.95)
Otros gastos (telef. reparaciones)	14,121.25	0.00	1,449.02	15,570.27	28,239.50	12,669.23

PROYECTO DE APOYO A LA MICROEMPRESA Y PEQUEÑOS PRODUCTORES (MSP)

PARTIDAS PRESUPUESTARIAS	1er. Trimestre	2do. Trimestre	Julio	Total Ejecutado	Presupuesto Aprobado	Pendiente a Ejecutar
A.T. ESPECIALIZADA						
ACTIVIDADES ESPECIALES	543,844.22	26,131.34	243,706.23	813,681.79	2,773,405.21	1,959,723.42
Actividades en Sierra y Selva	422,845.86	14,121.25	177,286.69	614,253.80	2,119,128.25	1,504,874.45
Personal	49,213.28	0.00	29,998.62	79,211.90	342,569.25	263,357.35
Actividades Programadas	373,632.58	0.00	147,288.07	520,920.65	1,776,559.00	1,255,638.35
* Programa de Café	116,974.53	0.00	32,551.52	149,526.05	573,303.00	423,776.95
* Programa de Cacao	111,246.59	0.00	7,914.81	119,161.40	391,194.00	272,032.60
* Programa de Camarón de Malasia	0.00	0.00	8,102.01	8,102.01	64,408.00	56,305.99
* Programa de Papa	98,390.00	0.00	65,114.20	163,504.20	260,182.00	96,677.80
* Programa de Alpaca	46,264.46	0.00	17,578.00	63,842.46	248,432.00	184,589.54
* Programa de Granos	757.00	0.00	16,027.53	16,784.53	239,040.00	222,255.47
Apoyo a las Escuelas Técnicas Agrícolas	0.00	543,844.22	0.00	543,844.22	100,000.00	(443,844.22)
Estudios de Sanidad Vegetal	0.00	0.00	0.00	0.00	149,705.00	149,705.00
Investigación Agrícola	0.00	422,845.86	0.00	422,845.86	0.00	(422,845.86)
Actividades Piloto	0.00	0.00	0.00	0.00	0.00	0.00
Centros de Embarque	0.00	49,213.28	0.00	49,213.28	0.00	(49,213.28)
CODESE'S	106,187.96	373,632.58	52,489.14	532,309.68	404,571.96	(127,737.72)
Otras Actividades	14,810.40	116,974.53	13,930.40	145,715.33	0.00	(145,715.33)
GASTOS ADMINISTRATIVOS	266,992.55	0.00	153,723.23	420,715.78	960,464.94	539,749.16
Personal	83,195.10	98,390.00	38,030.00	219,615.10	361,392.92	141,777.82
Servicio Administrativo - Contable	29,970.00	46,264.46	29,986.84	106,221.30	146,217.78	39,996.48
Gastos de Oficina	13,604.92	757.00	16,394.00	30,755.92	21,964.04	(8,791.88)
Alquileres, Servicios y Mantenimiento	140,222.53	0.00	69,302.41	209,524.94	430,890.20	221,365.26
* Local	28,178.40	0.00	16,800.84	44,979.24	92,374.48	47,395.24
* Vigilancia	16,650.03	0.00	1,961.92	18,611.95	20,081.41	1,469.46
* Consumo Eléctrico	2,602.10	0.00	1,005.00	3,607.10	25,101.76	21,494.66
Consumo telefónico y fax	37,606.70	0.00	9,173.66	46,780.36	120,488.46	73,708.10
* Movilidades urbanas	14,992.85	106,187.96	14,464.25	135,645.06	18,826.32	(116,818.74)
* Gasolina, mantenimiento y vehículos	9,288.41	14,810.40	12,831.45	36,930.26	66,519.67	29,589.41
* Papel, toner fotocopidora	11,210.22	0.00	977.28	12,187.50	42,673.00	30,485.50
* Servicio mensajería y correo	882.50	266,992.55	0.00	267,875.05	2,510.18	(265,364.87)
* Limpieza	342.55	0.00	0.00	342.55	25,101.76	24,759.21
* Reparación y arreglos	12,034.37	83,195.10	3,086.41	98,315.88	6,275.44	(92,040.44)
* Otros no considerados	6,434.40	29,970.00	9,001.60	45,406.00	3,137.72	(42,268.28)
* Auditoría	0.00	13,604.92	0.00	13,604.92	7,800.00	(5,804.92)
CREDITOS CONTRA LA POBREZA	220,152.76	140,222.53	484,312.62	844,687.91	1,694,325.57	849,637.66
* CARE	92,967.67	0.00	322,029.49	414,997.16	667,316.91	252,319.75
* CRS	26,748.60	28,178.40	136,795.81	191,722.81	776,040.00	584,317.19
* FINCA	100,436.49	16,650.03	25,487.32	142,573.84	250,968.66	108,394.82

ANNEX G

**SCOPE OF WORK FOR THE EVALUATION
OF THE PERU MSP PROJECT**

SCOPE OF WORK FOR THE EVALUATION OF THE PERU MSP PROJECT

(To be carried out under the GEMINI Project)

I. BACKGROUND

The Microenterprise and Small Producers Support Project (MSP) represents the culmination of a series of amendments to a project that was initially entitled the "Investment and Export Promotion" (IEP) Project (9/91 to 3/93) and later changed to the Export and Trade Development (ETD) Project (3/93 to 9/94). In September, 1994 the Project Paper Supplement which modified the ETD project into the MSP project was approved. Technically, the "IEP/ETD" project is in its fourth year of implementation. From a practical point of view, however, the current MSP project with its exclusive focus on supporting microenterprises and smallholder farmers, has only been in operation for about 9 months. The Project Assistance Completion Date for the MSP Project is March 31, 1998.

The original goal of the IEP project was to support a rapid and sustainable private sector-led economic reactivation that would generate foreign exchange, employment and boost productivity. The stated project purpose was to generate employment and to increase Peru's non-traditional exports and investment in export activities. IEP had three main components : 1) export promotion services: to help identify export enterprises that could increase their exports rapidly; 2) technical assistance: to assist those individual export enterprise/producers identified for Project support; and 3) a \$50 million GOP-furnished local currency credit line: to meet the lending needs of non-traditional exporters.

During 1993 the ETD Project was amended twice. First, in March 1993 USAID/Peru changed the name of the project to the Export Trade Development Project and deleted the \$50 million Host Country-Owned Local Currency (HCOLC) investment component due to budget austerity measures. The change in project name reflected a change in project purpose to better respond to restrictive political directives (Section 599) issued by Washington. The modified project purpose became: to generate employment and to increase Peru's exports, primarily non-traditional exports. In this context, ETD sought to increase Peruvian exports and employment in three labor intensive sectors: agriculture, light industry and fishing. ETD provided technical assistance to non-traditional exporters -- large, medium and small --in these three sectors. It also sought to enhance the services of the Exporters' Association (ADEX) and other private sector export promotion organizations.

A second amendment occurred in September 1993 when the mission included an Agriculture Productivity Improvement (API) component. The purpose of this \$8 million DA-funded component was to improve productivity and competitiveness of farmers through a mix of activities proven successful under the completed Agricultural Technology Transformation (ATT) Project.

In September 1994 the project was amended a third and final time. This final modification resulted in the MSP project, thereby better responding to the new Administration's development priorities to emphasize poverty alleviation and microenterprise development. In accordance with these objectives, USAID/Peru completed a portfolio review of its private sector projects, including the ETD project. The review revealed that many of ETD's activities (more than 70%) showed strong promise for significantly improving the livelihood of microentrepreneurs, small producers and members of grass roots organizations (e.g. women's associations, indigenous populations, trade guilds and their associations, smallholder farmers, and low-income groups). As such, ETD was modified rather than terminated, to further strengthen its focus on the "poor majority".

A. GOAL AND PURPOSE: The specific goal and purpose of the MSP project are:

Goal: To promote broadly-based sustainable economic growth by increasing the participation of the poor majority in the economy.

Purpose: To increase income and employment of microentrepreneurs, small producers and smallholder farmers and strengthen their member democratic grass roots organizations.

The MSP seeks to achieve its purpose by expanding the poor majority's access to markets for targeted products in which there exists proven demand and assisting their member grass roots institutions to be more responsive to their needs. Similar to the original ETD project, the MSP is demand-driven and maintains an outward-looking orientation. It identifies market opportunities, designs market strategies and delivers technical assistance and credit to the targeted poor majority.

Focusing on the poor requires refining the Project's market strategies, better design of technical assistance interventions and more sophisticated monitoring and evaluation services. Instead of working with 100-300 clients, the MSP project works with thousands of microentrepreneurs and smallholder farmers. Through community associations and producers associations in the poor geographic areas of Peru, as well as local NGOs, the MSP Project is attempting to leverage its services and economically empower the "poor majority". These services, in turn, help to increase the MSP's clientele skills and productivity, enhance their entrepreneurial and management abilities, and thus increase their incomes and assets, and generate productive employment. By cooperating in the development of grass roots organizations, MSP attempts to help them evolve into strengthened agents of change able to provide the services its' members require to effectively participate in Peru's economic development.

B. COMPONENTS: The Project consists of three components:

1) **A market access services component** to help identify ME products and services with market demand and establish business linkages between MEs and potential buyers. It comprises the following elements:

(a) **Strategy Development and Implementation:** MSP-assisted entities will be provided TA in developing or improving their market strategies, consisting of defining different steps they will need to take to increase their market access and increase sales. In addition, groups of MEs by sector-specialization (handicrafts, jewelry, clothing, shoes, carpentry, metal fabrication, etc.) will be organized to facilitate the sharing of common services (market information, financing, product design, input supply, packaging, marketing, shipping, etc.) that will allow them to market their products locally or externally through networks of associations, guilds, or intermediaries.

(b) **ME Promotion Services:** MSP's targeted beneficiaries will be exposed to specific services that will enhance their knowledge and understanding of techniques for accessing markets for their products. These activities will include an estimated 200 market promotion and buyer contact activities, 120 training workshops, 70 demonstration field days, seminars and other activities that provide support to a broad array of ME clients on productive or marketing topics.

(c) **ME Information Services:** MSP will provide market information and other product oriented information to ME grassroots organizations, producers associations and NGOs assisting MEs to strengthen their service capabilities to their members. ADEX's Information Service will enter into agreements with other ME organizations to build a network that will be able to directly provide a full range of market information MEs may require.

2) A **technical assistance component** to provide direct assistance to those MEs identified for Project support to overcome specific productive or marketing limitations/weaknesses to improve their productivity and competitiveness, in order to increase their income and employment rapidly. It comprises the following elements:

(a) **Specialized technical assistance:** Once demand for a specific product has been identified, MSP will provide MEs with specialized assistance on product design and development, production technology, finance, marketing, quality control, packaging and labelling, etc.

(b) **Pilot activities:** To introduce new production techniques, cost saving equipment or to promote the use of shared common services, physical facilities or equipment among craftspersons, smallholder farmers, or other microentrepreneurs, MSP will contract or purchase the required expertise and or commodities being introduced.

3) A **credit component** which will manage anti-poverty lending funds, design and test the use of a model rural banking institution, and leverage other donors and NGOs' credit services. It includes the following elements:

(a) **Anti-Poverty Lending:** In recent months an Anti-Poverty Lending Program (APPLE) has been added with matching funds from USAID/Washington Microenterprise Development Office (G/EG/MD). This new MSP initiative is implementing three APPLE Subprojects, targeted particularly on the poorest areas of the Sierra through experienced NGOs. These organizations are: CARE/Peru, FINCA/Peru and CRS/Peru. These lending activities will benefit more than 9,000 disadvantaged women, utilizing the "Village Banking" model (community group lending) providing loans of up to \$300 per individual. It is anticipated that onlending of credit will also be implemented through 6 indigenous NGOs.

In addition to increasing beneficiary income, savings, and productive employment through the provision of credit, training activities will be utilized to enhance their basic business management and technical skills. Other important benefits include increasing their self-esteem in terms of operating microenterprises and income generation schemes contributing to their family's income and welfare, improving food security, and securing greater access to services for family members such as medical care and education. The practice of democratic values and procedures within their associations, learning how to effectively manage borrowed money and being able to propose and judge micro-business proposals and risks will also be included.

(b) **Rural Banking:** This element was included in ETD's API component and is fully supportive of the new microenterprise strategy. Through a Cooperative Agreement with ACDI, MSP will provide assistance for a pilot rural credit union which is being established in northern Peru to devise an efficient and sustainable rural credit delivery model for small farmers to be replicated elsewhere in Peru. The U.S. PVO TechnoServe is a subgrantee of this agreement providing the small farmers with production technical assistance, grouping them into associations, and helping them draft sound credit proposals for the credit union.

(c) **Leveraging of Other Donor Assistance:** Several other donors working through a variety of credit retailing mechanisms including NGOs are currently implementing programs to meet ME credit demand. An estimated \$100.0 million are being directed to small producers and MEs in Peru. MSP will collaborate with GOP programs and multilateral, bilateral and other international financial intermediaries providing ME credit in order to leverage resources. MSP will also closely coordinate with NGO credit retailers throughout Peru. MSP, over the LOP, will seek to make up to \$1.0 million worth of specialized technical assistance available directly to NGO ME credit retailers, many of which are becoming increasingly specialized delivering these services. For example, MSP may assist them (a) enhance their

administrative efficiency reducing transaction costs and (b) improve their financial intermediary capabilities in areas such as risk analysis, savings mobilization, legal registration, etc. Recently, a Credit Access Program under G/EG/MD's Microenterprise Innovation Project - Prime Fund component, has been approved which will fund these types of activities specifically for urban microenterprise credit retailers.

C. IMPLEMENTATION STRATEGY: The MSP Project has a geographic focus to better target USAID assistance in addressing poverty alleviation and counternarcotics concerns that deter the achievement of sustainable development in selected areas of Peru.

MSP has introduced a new Sierra region focus. By increasing income opportunities in Peru's highlands region, it is expected that the outmigration problem stemming from the economically depressed areas immediately adjacent to the high jungle coca-growing areas such as Ancash, Huanuco, Cajamarca, Apurimac and Ayacucho will be dramatically reduced. MSP will work with what are considered some of Peru's poorest farmers and handicrafts producers, including a special emphasis on women who traditionally are those most active in trading activities in this region.

In addition, consistent with its ESF funding source, MSP's activities in the Selva or Jungle region, started in May 1993 as part of ETD's Amendment One, will be expanded. Assessments of market potential for products in coca-growing areas such as the Malaysian shrimp for the Lima market, lemon-grass, and palm-hearts have been carried out and development activities will be implemented. Marketing and business skills training courses specially designed for the region's microentrepreneur characteristics, were organized in Tarapoto, Tingo María and Quillabamba. The level of investment will be increased in this region in recognition of the serious poverty and drug related problems.

There are three primary programs and associated product areas:

- 1) **Non-traditional Coastal agricultural products:** asparagus, sweet yellow onions, dried beans, mango, key lime, and garlic;
- 2) **Microenterprise products:** handicrafts, apparel and shoes; and
- 3) **Selva/Jungle and Sierra Region Products:** cacao, coffee, Malaysian shrimp, yellow potatoes, alpaca products and andean grains.

D. IMPLEMENTING AGENTS: The main implementing agents and corresponding responsibilities are:

1) **Exporters Association (ADEX):** private sector non-traditional export business association which has a Cooperative Agreement with USAID/Peru.

- Microenterprise sector program
- Agriculture program
- Jungle/Sierra Special program
- Agriculture Productivity Improvement program
- Information and Documentation Center
- Microenterprise Development Policy Panel

2) **Louis Berger International, Inc. (LBII):** Institutional Contractor to ADEX's MSP Project team which has a contract with USAID/Peru.

- Strategic Planning
- Identification and Provision of International Experts
- Market Promotion/Buyer Contacts
- Credit Access and Anti-Poverty Lending Program
- Monitoring and Evaluation
- Environmental Training

3) Agricultural Cooperative Development International (ACDI): U.S. PVO which has a Cooperative Agreement with USAID/Peru to establish a pilot Caja Rural.

- Advisory and Technical Assistance Services to the "Cruz de Chalpon" Caja Rural in Lambayeque
- Agricultural Extension Services in Valleys where the Caja Rurales Operate through TechnoServe, an ACDI subgrantee

II. PURPOSE OF THE EVALUATION

This evaluation will focus on the strategy, objectives and achievements of the MSP Project. The primary purpose of the evaluation is to examine the overall viability, structure and potential impact of MSP activities from June 1994 to the present.¹

There are a number of areas in which the MSP is currently targeting its resources and in which the evaluation will focus its analysis. As mentioned above, the MSP project is demand-driven and focused. From the outset, it has sought to focus its resources on those product areas that can have the highest impact on the poor majority. The project has also sought to provide the proper mix of financial and non-financial services as well as national and international consulting expertise. The evaluation will need to review the accomplishments, strengths and weaknesses associated with the various sectors/products targeted by the project; the variety of technical, financial and policy inputs; and the administrative/management tools designed for managing the project. Specific programmatic and administrative areas of analysis will include:

Sectors/Products:

- Smallholder Farmer Non-traditional Agricultural Products: sweet onions, garlic, asparagus, dried beans, mango, and key lime;
- Microenterprise Products: handicrafts, apparel, shoes;
- Jungle/Sierra Special Programs: coffee, cocoa, shrimp, andean grains, yellow potato, and alpaca.

Technical/Financial/Policy Inputs:

- Leveraging Credit (Rural and Microenterprise--CAP);
- Technical Assistance (production and buyer contacts);
- Information and Documentation Center;
- Microenterprise Development Panel.

Administrative/Management Tools:

¹ The official date in which the MSP Project was modified was September 27, 1994. The current Project team, however, de facto began to implement MSP activities a few months before the official approval while phasing out ETD-remaining activities.

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- Monitoring and Evaluation System;
- Management Information System;
- Strategic Planning
- Communications/Public Relations.

The evaluation will look at sectoral accomplishments and shortcomings as well as cross-cutting administrative issues. It will review issues associated with the strategic design of the project as well as analyze the strengths and weaknesses in the implementation of project activities. Above all, the evaluation will determine how well the project is proceeding in achieving its End-of-Project Status Objectives and make recommendations on how it can best leverage its resources so as to be the most cost-effective and sustainable in the long run. Of particular interest is an analysis on how the project might improve upon its current cost-recovery mechanisms to ensure MSP-created services can continue to be carried out after the PACD.

III. STATEMENT OF WORK

The MSP project has had a short implementation period as it is currently defined. Because of this the USAID/Peru Mission believes that the evaluation should focus on the Project's activities from June 1994, a few months before the MSP project was officially authorized, to the present. It must also provide a prospective discussion on recommended future modifications to the project's implementation strategy.

A. RETROSPECTIVE ANALYSIS

In terms of retrospective issues, the evaluation will need to answer questions in the following areas:

1) Strategy: As noted above, the MSP project represents the culmination of a series of project amendments. Despite these modifications, USAID/Peru and ADEX consider that the strategic guidelines upon which the ETD/MSP project was organized are still valid, fill a critical niche in development assistance, and provide the basis for highly effective private sector development. The key strategic principles of the MSP project include:

- **Demand-Driven:** Many microenterprise (ME) development projects in Peru are "supply-driven" (attention is focused on developing production capability). MSP leverages its resources by targeting its services on products and clients for which proven market demand exists.
- **Results-Oriented:** Many programs in Peru are process oriented (e.g. focused on providing training programs, seminars, etc.). An essential element of the MSP is its capability to closely monitor increases in employment and income generated as a result of Project activities. The project uses baseline "photos" to track "before" and "after" scenarios and to see in which areas the project is adequately responding to client's needs. This monitoring system also allows the project to better identify overall project attribution associated with the results generated.
- **Leverage Resources:** MSP understands that non-financial services to microenterprises and smallholder farmers (which are the principal type of services MSP has been structured to deliver) can be expensive and non-sustainable unless the project is able to leverage its resources by working with other donors and NGOs that have already established working relationships with MSP clients. As such, the MSP positions itself as a "wholesaler" of services to organizations that, in turn, serve as "retailers" to the microenterprises and smallholder farmers.
- **Target Clients and Products:** Given limited project resources, an important element of the MSP strategy is to target its clients and product areas. The project established operational guidelines (see

Annex A of the Project Paper Amendment) which limit its assistance to those product areas with proven market demand and clients that have the highest probability of generating significant impact over the three remaining years in the project.

- **Provide Relevant, High Impact Services:** The project fills a niche and is highly cost-effective by providing results-oriented services not adequately provided in the market place. These include: market leads and information, buyer contacts, ME client technical assistance, and access to sources of credit.

Given the strategic context in which MSP has defined its activities, the evaluation team should answer the following questions: How effective is the MSP strategy? Does the strategy adequately respond to USAID mission's strategic objectives², by increasing the participation of the "poor majority" in the economy? Did the newly modified MSP strategy sufficiently build off the successes of the original ETD strategy and minimize the "downtime" from reorienting project resources?

2) End-Of-Project Status Objectives: The evaluation team should evaluate the potential impact and likelihood that the MSP project will achieve its key objectives (EOPS):

- More than 36,500 jobs created (full time and seasonal)
- Increased sales of ME clientele by \$150 million
- 25 MSP-assisted grass roots organizations providing improved services to their members
- More than 100 new markets/customers developed
- The productivity and sales of at least 3 products from both the sierra and the jungle regions increase due to MSP assistance

Critical questions to answer include: How realistic are the current EOPS targets for the MSP project? What is the likelihood that the project will be able to achieve its principal purpose-level objectives by PACD? Do initial results indicate that the MSP approach is viable and cost-effective and, if not, how can MSP be strengthened?

3) Targeted Sectors and Products: An important strategic element of the MSP is to target its resources on only those products and clients that are most likely to generate high impact in a short period of time. Is the MSP methodology for targeting the high impact products and subsectors adequate? Is there a good balance between resources available and targeted clients? Has a good balance been developed between resources allocated between non-financial and financial services? Among the three principal programs: agricultural products, microenterprise products and Sierra/Jungle products? What are the implications of the Project's recent orientation to place more emphasis in developing new products and targetting areas of extreme poverty in the Sierra and Jungle?

4) Key Outputs: The evaluation team will evaluate results to date in terms of major outputs:

- Increased productivity and competitiveness of microentrepreneurs, small producers and smallholder farmers (ME clientele)
- Increased market access possibilities for ME clientele
- Increased services available for ME clientele in ADEX and grass roots organizations
- Improved financial services available for ME clientele

² In USAID/Peru's Action Plan for 1995, Strategic Objective (S.O) No.2 is "Broader-based, Sustainable Economic Growth". For FY 1996, following USAID's shift towards a more constricted focus on poverty, S.O. No.2 is "Increased Incomes and Employment of the Poor".

- Improved policy and regulatory framework for microentrepreneurs, small producers, smallholder farmers and their grass roots organizations

Will the project be able to achieve the various output indicators established in the logical framework? Do the achievement of these outputs lay the proper foundation for achieving the purpose-level objectives (e.g. EOPS)?

5) Institutional Mechanisms and Project Management: Critical to any project is effective institutional delivery mechanisms and project management. In the MSP project there are a variety of key implementing agents: ADEX, LBII, ACDI. The evaluation team will evaluate the effectiveness of MSP managers, including communication and coordination among USAID management, ADEX staff and contractor staff (LBII and ACDI).

Specific questions to answer include: How effective have the various program managers been in implementing the project activities? How effective have the various institutions/organizations (e.g. ADEX, Institutional Contractor/Louis Berger International, Inc., Caja Rurales/ACDI) been in managing the project? How well has the project integrated MSP objectives into the objectives of the ADEX organization? Is there adequate coordination between the Institutional Contractor and ADEX staff?

6) Monitoring and Evaluation and Management Information Systems: From the outset, USAID/Peru has emphasized the development of adequate monitoring and evaluation systems. They recognize that the MSP must be able to closely monitor increases in income and employment generated. Through the use of baseline "photos", including subsequent periodic assessments, and agreements with cooperating agencies, the MSP aims to track impact data in terms of the number of jobs created under the project and actual increases in sales/incomes in project-assisted MEs.

Besides monitoring and evaluation systems, the project has also developed a management information system that provides timely information on monthly activities and project activities. The principal MIS reporting documents are a monthly activities report, quarterly work plan and progress report, semi-annual review and the annual work plan which includes a summary document on "critical steps" expected over the coming 12 month period.

The basic questions to answer with regards to the MSP's information systems are: How effective and comprehensive are the project's monitoring and evaluation systems? Are there an adequate number of baseline studies? Does the project have an M&E system that is timely and cost-effective? Do they have a timely and comprehensive management information system in place? Is the system adequate in order to be able to report results in the context of the information needed within USAID/Peru's recently drafted Action Plan? If not, what modifications in its M&E and MIS systems are needed?

7) Information and Documentation Center: An important component of the MSP is the Information and Documentation Center (CID). This center is part of the ADEX structure and is intended to be part of an information network which will provide timely and relevant market information to MSP clients.

Is the CID developing information services that are timely and relevant to the MSP client's needs? Is there an adequate capability being established for linking NGOs, the CID, and other Microenterprise support organizations to the information network? In its present design, how sustainable are CID services? How can the CID strategy be modified to enhance sustainability?

B. PROSPECTIVE ANALYSIS

Besides presenting those recommendations arising from the retrospective analysis, the evaluation team will also be expected to look at several other areas of interest to the USAID Mission. Specifically, the primary areas for future consideration are:

- 1) **Cost Recovery:** While not explicitly mentioned as an objective in the Project Modification, USAID/Peru is very interested in identifying and developing a strategy for cost-recovery of services rendered. Specifically, are the MSP's initial efforts at cost-recovery mechanisms appropriate and effective? What other elements for a more comprehensive cost-recovery system are needed and how would they be phased in?
- 2) **Project Strategy:** What changes are needed, if any, in the project's implementation strategy in order to reach its targeted objectives?
- 3) **Implementation of Project Activities:** What recommendations are there, if any, for improving the management and implementation of project activities? Examine the history of the Project's resource levels and estimate on a projected basis minimum resource level requirements over LOP.
- 4) **Resource Allocation:** Is there a proper balance in resources and services in order to achieve the stated objectives in terms of impact and geographic coverage? If resource levels are less than adequate, what is the likely impact upon the Project attaining its objectives? Between non-financial and financial services?

Recently the MSP project has been able to access funds from the Microenterprise Innovation Project (MIP) in Washington and PL480/Title III (MEF) funds in Peru. These funds have focused on expanding the projects financial services and facilitation services; and in developing women-run post-harvest support services and foodstuff processing microenterprises. Do these funds complement, without displacing or diverting, the MSP's original portfolio of project activities?

IV. REPORTS

The principal product of this evaluation will be a report that is no more than 50 pages in length, excluding any relevant annexes (e.g. list of people contacted, project reports, etc.). The organization of the report will be as follows:

1. Executive Summary
2. Introduction
3. Project Background and Design
4. Major Findings
5. Conclusions and Lessons Learned
6. Key Recommendations

A total of 10 copies, in both English and Spanish, will be provided to the USAID Mission.

V. TECHNICAL DIRECTION

Technical direction during the performance of this delivery order will be provided by:
Alan L. Davis, Deputy Chief, Office of Rural Development, USAID/Peru - Project Officer.

VI. TERMS OF PERFORMANCE

A. The effective date of this delivery order is: 8/1/95. The estimated completion date is: 8/31/95.

B. Subject to the ceiling price established in this delivery order and with prior written approval of the Project Manager (see Block No. 5 on the Cover Page), the contractor is authorized to extend the estimated completion date provided that such extension does not cause the elapsed time for completion of the work, including the furnishing of all deliverables, to extend beyond 30 calendar days from the original estimated completion date. The contractor shall attach a copy of the Project Officer's approval for any extension of the term of this delivery order to the final voucher submitted for payment.

C. It is the contractor's responsibility to ensure that the Project Officer-approved adjustments to the original estimated completion date do not result in costs incurred which exceed the ceiling price of this delivery order. Under no circumstances shall such adjustment authorize the contractor to be paid any sum in excess of the delivery order.

D. Adjustments which will cause the elapsed time for completion of the work to exceed the original estimated completion date by more than 30 calendar days must be approved in advance by the Contracting Officer.

VII. WORK DAYS ORDERED

Three (3) U.S. microenterprise experts for 24 effective workdays each will be needed to evaluate MSP's activities:

- A micro enterprise expert specializing in non-financial assistance programs would assess MSP's micro enterprise programs (handicrafts, apparel-making and shoe-making). The evaluator will issue its observations taking into consideration MSP's income increase for micro entrepreneurs main objective. The establishment of common services for groups of micro enterprises which later could constitute consortia to market the group's production, or develop sub-contracting relations within a product sector, will be assessed considering MSP's institutional sustainability/strengthening objective. Of particular interest is that MSP initial efforts at cost recovery mechanisms be evaluated and the elements of a more comprehensive strategy aimed at cost recovery be identified.
- An agricultural expert specializing in smallholder production would assess MSP's smallholder farmer programs (mangoes, key limes, pulses and dry beans, yellow onions, garlic, yellow potatoes, coffee and cacao). The evaluation will carried out taking into consideration MSP's main objectives previously mentioned for the micro enterprise specialist.
- A micro enterprise expert specializing in credit (financial services) programs, will assess MSP's microenterprise credit leverage and APPLE (village bank and solidarity group lending) activities. As the two other specialists, MSP's main objectives should be taken into consideration to assess the coherence of MSP-assisted/related micro enterprise credit retailer's methodologies/systems.

The three experts would also jointly provide their opinion on MSP's demand-driven product/market orientation, MSP's monitoring-evaluation system, MSP's intention and plans of promoting a micro enterprise information network (which will include both micro enterprise and smallholder farmer information requirements), and importance of promoting and participating in a nationwide government-led small and micro enterprise policy dialogue/coordination counsel. Finally, all three experts should provide USAID with their opinion on ADEX's appropriateness as counterpart and on Louis Berger International Inc.'s effectiveness as supplier of U.S. technical assistance and equipment, market strategy design and market/customer identification services.

ESTIMATED BUDGET:

3 U.S. experts - 24 work days each - \$338.56/day =	\$24,376.32
Fringe Benefits, Overhead and Fee (110%)	26,813.95
U.S. - Peru round trip airfare (\$1,200) x 3	3,600.00
Per-diem: Lima: 25 days (\$211.00/day) x 3	15,825.00
Other: 5 days (\$120.00/day) x 3	1,800.00
In-country round trip airfare (\$150.00) x 3	450.00
Contingencies	<u>1,134.73</u>
TOTAL	74,000.00

VIII. USE OF GOVERNMENT FACILITIES AND PERSONNEL

The Contractor will be provided with office space in the USAID/Peru Office of Rural Development and in the MSP Project's Office in ADEX.

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IX. DUTY POST

The duty post for this delivery order is USAID/Peru Mission in Lima, Peru.

X. LANGUAGE REQUIREMENTS

The Contractor's personnel shall have Spanish language capability at the S-3 and R-3 level.

XI. ACCESS TO CLASSIFIED INFORMATION

The Contractor will not have access to classified information.

XII. LOGISTIC SUPPORT

The Contractor will receive logistical support from the ADEX staff including: assistance in organizing field trips, access to printing and copying services, access to telephones, office space, and other required logistical support.

XIII. WORK WEEK

The Contractor is authorized up to a six day work week in both Washington, D.C. and in Peru as required to complete within the time period allotted for the delivery order with no premium pay.

Clearance:

HWing, ORD _____

JBoyer, PDP _____

Draft: ORD/PENRD, ADavis, EAlbareda, 6/23/95

MAORDTMUD\EDUARDO\MSPEVAL.SOW

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ANNEX H
LIST OF CONTACTS

LIST OF CONTACTS
USAID/PERU MICROENTERPRISE PROJECT EVALUATION

1. Albareda, Eduardo	MSP Coordinator, USAID/PERU
2. Bell, Robin R.	Enterprise & Fin. Services Specialist, DAI
3. Carvajal, V. Rodrigo	MSP Technical Director, Louis Berger Int.
4. Escandon Dam, Javier	Handicrafts Specialist, ADEX/MSP
5. Tacchino, Antonio	Manager, Microenterprise Program, ADEX/MSP
6. Gutierrez, Connie	MSP Agricultural Specialist, USAID/PERU
7. Mendivil, Alfredo	Coord. of Agricultural TA, ADEX/MSP
8. Rudolph, James	Assistant Technical Director, Louis Berger Int.
9. Sarria, Carlos	Manager, Special Projects, ADEX/MSP
10. Freddy Barios	Ag. Technician, Supe Sweet Onion Project
11. Various	22 members of Supe Onion Association
12. Alan Davis	Chief, RDO, USAID/PERU
13. Joseph Lombardo	Chief, PPD, " "
14. Jim Taylor	Officer, PPD, " "
15. Miriam Choy	Officer, " " "
16. Fernando Chaves	Mgr. MSP Monitoring/Evaluation System
17. Charles Bell	Louis Berger International, Inc. Wash. D.C.
18. Dante Ciari	ADEX MSP General Manager
19. Jose Gil	
20. Luis Castillo	MPS Coast Project Manager
21. Galarreta Victor	Rural Coordination Director
22. Astete Victor	Administrative Assistant, Allpa-Cusco
23. Carreño Alvaro	Jewelry microenterprise, Cusco
24. Quitanilla Hipotilo	Ceramics microenterprise, Cusco
25. Amaru Arturo	Ceramics microenterprise, Cusco
26. Salas Teofila	Tapestry weaver, Ayacucho
27. Laura Maximo	MSP tapestry advisor
28. Ufre Jairo	MSP cloth-making advisor
29. Ledda Galvez	MSP management assistant
30. Cutipa Benita	Jacket producer, Cusco
31. Nina Quintana	MSP jacket advisor
32. Sonia Cespedes	MSP ceramics advisor
33. De La Puente Maria	Manager of Allpa
34. Pillado Armando	MSP financial services
35. Pendavis Juan E.	President of ADEX
36. Otoy Elsa	Manager of Parwa
37. Enriquez Mauro	Ceramics producer, Ate Vitarte
38. Martinotti Francisco	Representative of PYME-MITINCI

ANNEX I

LIST OF DOCUMENTS AND PUBLICATIONS REVIEWED

LIST OF DOCUMENTS REVIEWED

1. MSP Project Paper
2. MSP Project Status reports
3. Summary of the Work Plan 1995 MSP
4. Microenterprise Program 1995 MSP
5. MSP Quarterly Report Oct-Dec 1994
6. MSP Quarterly Report Jan-March 1995
7. MSP Quarterly Report April-june 1995
8. ETD Project Paper Amendment 2
9. IEP Project Paper
10. MSP Summary of the 1995 Work Plan
11. Export of jackets from Perú
12. Subagreement MSP - Minka SRL
13. Subagreement MSP - Coordinadora Rural
14. CID Plan y Discussion Doc.
15. Subagreement MSP - Magic Alpaca
16. Final Report ADEX-AID MSP, Encuesta Talleres Artesanales
17. Monitoring Program Performance: A Report for USAID Perú
18. USAID/PERU Action Plan FY 1996-1997
19. MSP USA Trip Report
20. Policies for the promotion of the small and microenterprise in Perú- MITINCI

ANNEX J

MSP PROJECT LOGICAL FRAMEWORK

A. EOPS planned EOPS

1. 36,500 jobs created (full-time and seasonal)

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Progress to date

1. The MSP phase has generated the equivalent of 505¹ full-time positions. The ETD phase of the Project generated 1,683 jobs (925 for women). It also secured 5,000 jobs, especially in the fishing sector.

PROJECT STATUS REPORT
October 1, 1994 - March 31, 1995

A X B C

2. Increased sales of ME assisted clientele by \$150 million

2. MSP phase sales to date include \$256,500¹ in handicrafts and \$864,150 in agricultural products. The ETD phase of the Project generated \$3.8 million in sales in the agricultural and fishing sectors. It also secured \$25 million of frozen fish exports to Europe.

3. More than 100 new markets/customers developed

3. MSP has facilitated 81 new markets/customers for its ME clients. 9 of these are onion buyers; the remaining 72 are handicraft buyers.¹

4. 25 MSP-assisted grass roots organizations providing improved services to their members

4. Of the 11 MSP-assisted organizations; 8 are related to the Coastal Agriculture Program and 3 are related to the Sierra-Selva Program.

5. The productivity and sales of at least three products from both the Sierra & Selva regions increase due to MSP assistance

5. MSP will increase productivity and sales of 7 in Sierra-Selva: coffee, cacao, yellow potato, Malaysian shrimp, alpaca fibre, Andean grains, & handicrafts. MSP is already providing assistance to 2,340 MSP coffee, cacao and potato farmers in four geographic areas.

B Major Outputs

	<u>Planned</u>				<u>Accomplished</u>		
	<u>LOP</u>	<u>Period</u>	<u>Cumul</u>	<u>Next Period</u>	<u>Period</u>	<u>Cumul</u>	<u>% of LOP</u>
1. Increased productivity and competitiveness of ME clientele							
a. # of ag technical schools with enhanced curricula for MEs	5	0	0	0	0	0	0%
b. # of pilot "packing sheds" providing processing services to MEs	10	0	0	3	0	0	0%
c. # of MSP-assisted smallholder farmers using certified seeds	1,080	107	107	689	107	107	10%
d. # of courses related to production improvements	140	44	64	92	44	64	46%
e. # fields established that demonstrate new production technologies	600	41	77	369	41	77	13%
f. # "field day" demonstrations of new production technologies	1,000	305	317	597	305	317	32%
g. # TA interventions by US experts (person/months)	80	18	33	26	18	33	41%
h. # TA interventions by local experts (person/months)	250	32	82	30	17	82	33%
2. Increased market access possibilities for ME clientele							
a. # seminars and workshops on market requirements	60	9	11	24	9	11	18%
b. # MSP-identified and managed commercial linkages with buyers	200	98	98	156	98	98	49%
c. # of CID users through MSP partner NGOs and grass roots organizations	5,000	0	0	300	0	0	0%
d. # of ME NGOs with CID users	20	5	5	5	5	5	25%
e. # of decentralized information centers established	5	0	0	2	0	0	0%
3. Increased services available for MEs in ADEX and grass roots organizations							
a. # of MSP - NGOs subagreements	25	3	13	3	3	13	52%
b. % of increase in ME membership in ADEX	25	0	0	10	0	0	0%
c. special ME and smallholder committee in ADEX	YES	NO	NO	NO ¹	NO	NO	0%
d. # of radio stations carrying MSP's weekly radio program	100	15	70	10	15	70	70%
4. Improved financial services available for MSP's clientele							
a. Volume of products produced by six community-based pilot enterprises (MT)	15,000	650	650	3,000	650	650	7%
b. # of leaders of smallholder farmer producers associations trained	1,000	300	659	300	300	659	66%
c. # of loans in Motupe Caja Rural	3,000	0	0	876	0	0	0%
d. # of NGO credit retailers providing improved financial services	21	6	6	4	6	6	29%
e. # of loans provided by NGO credit retailers to MSP clients	15,000	2,300	2,300	1,000	2,300	2,300	15%
f. amount of loans provided by NGO credit retailers to MSP clients (\$ millions)	22.0	0.4	0.4	4.0	0.4	0.4	2%
5. Improved policy and regulatory framework for MEs and their grass roots organizations							
a. ME Development Panel (MEDP) established	YES	NO	NO	YES	NO	NO	0%

¹ These outputs have been modified after identifying an increased demand for MSP services. Lower implementation costs have been obtained by selecting consultants through full and open competition processes

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ANNEX K

**USAID MEMORANDUM DATED SEPTEMBER 29, 1995,
"DRAFT DAI REPORT RECEIVED ON SEPTEMBER 22, 1995"**

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MEMORANDUM

Office of Rural Development

Private Enterprise and Natural Resources Division

DATE : September 29, 1995

TO : Heather Clark, G/EG/MD
Roberto Castro, G/EG/MD

THROUGH : Harry E. Wing, Chief, Office of Rural Development (ORD)

REPLY TO
ATTN OF : Alan L. Davis, Deputy Chief, ORD

SUBJECT : Mission Comments on Evaluation Draft Report (EDR)

REF : Draft DAI Report received on September 22, 1995

A mid-term evaluation of USAID/Peru's Microenterprise and Small Producers Support Project (MSP) was carried out by a team of three consultants¹ contracted by Development Alternatives, Inc. (DAI) under the centrally-funded GEMINI Project. A rough draft report, as opposed to a final draft, was submitted on September 2, 1996, the team's final day in Peru. The Mission found the version unacceptable as sections of the EDR were found incomprehensible (very poor English translation), ambiguous, and many conclusions were simply not substantiated allowing readers to fully understand how they were reached. A revised evaluation draft report (EDR) was received on September 22, 1995 and it is this version that is commented on here. Although improved, the revised version still did not correct many of the deficiencies.

The Mission wanted this mid-term evaluation to (a) secure an independent reading on whether the Project's fundamental assumptions and strategies were sound; (b) better understand how well the Project was progressing against its objectives; and (c) identify what improvements and mid-course corrections might be considered to make the Project more effective. There were several instances where the EDR was highly complimentary of MSP (describing it as an excellent project with sound fundamental development strategies) and the report included several useful recommendations. Nevertheless, it fell somewhat short of our expectations particularly in terms

¹ Team composition was as follows: an Agricultural Specialist who doubled as team leader, a Microenterprise Specialist and a Credit Specialist.

of providing value-added insights on the Project's one-year-old microenterprise sector to the extent that the Mission may have this strategic sector re-evaluated in order to secure a more in-depth analysis. The use of partial (and therefore skewed) data to base some of the EDR's major findings on also continues in this version.

The purpose of this memorandum is to comment on the evaluation, correct errors where necessary, and request clarification to allow the Mission and MSP implementing agencies to better understand the findings. Attachments A and B to this memorandum provide the comments of Louis Berger International (MSP's institutional contractor) and the Exporters Association or ADEX (the Project's principal implementing agency) respectively. Although the Mission concurs with many of their opinions, we considered it important that they be presented without edit for the consideration of the evaluators. Attachment C contains some editorial corrections.

I. EVALUATION'S STATEMENT OF WORK ISSUES:

RETROSPECTIVE ANALYSIS:

1. **Strategy:** The microenterprise (ME) and agricultural (AG) evaluation team specialists concur that MSP's strategy is effective to increase incomes of Peruvian microentrepreneurs and smallholder farmers as well as contribute to the generation of new jobs in Peru. They also find MSP responsive to the Mission's strategic objectives by increasing the participation of the "poor" in the economy. They concur that the MSP Project has taken advantage of its predecessor Export, Trade and Development (ETD) Project² to minimize costs in reorienting Project resources towards a more specific target population.

Issue: In the evaluation, the ME specialist identified weaknesses in the implementation of MSP's apparel-making sector strategy. The evaluation stated that there is no concrete demand identified for the 10 to 12 apparel-making microenterprises being assisted under the Project in August 1995³. The evaluator concludes that MSP's apparel-making program is not demand-driven but supply-driven, which means that there is no certainty the improved production will be marketable. The

² MSP evolved out of ETD wherein the former took advantage of a number of products that had been studied and, to varying degrees, promoted under the latter. The most significant difference was that MSP was exclusively oriented itself to a discrete subset of ETD clientele, Peru's "poor majority".

³ The evaluation of this sector came at a time when the Project had just completed the development and pilot testing of its unique apparel-making strategy began one year ago, but the rate of implementation doubled the past six months to bring measures to closure. This is why the Project chose to assist only 10 to 12 apparel-making production units. Now that the strategy, which includes the establishment of a fee-for-service Apparel Advisory (technical) Team in the Project's slum areas, has been in large part validated, the number of microenterprises assisted under the Project is expected to grow exponentially over the next two years to several hundred production units in the poor marginal urban areas of Peru.

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evaluator also suggests that the Project should first identify a large buyer (contractor) and then develop/adapt the microenterprises' production to the identified demand.

Comment: Although most of these errors in perception were carefully explained during the evaluation process, we remain perplexed why they remain within the EDR. MSP's apparel-making program is demand-driven. It is targeting the higher end of the local market. It has been decided to supply smaller scale buyers than those suggested by the ME evaluator, because large-scale types of products such as T-shirts and jeans are not very profitable for MSP's small scale client producers. 586 potential garment retailers, which primarily retail high-quality imported goods, have been identified. 120 retailers have been surveyed to identify specific characteristics, such as the types of garments they retail, preferred fabrics/materials, product rotation, purchase volumes, etc.

Sales of samples, valued at \$67,000, have already been assisted by MSP's first Apparel Advisory Team ("Gabinete Tecnico") for the twelve microenterprises that are currently receiving assistance within MSP's one-year-old pilot apparel-making phase. The gabinete approach is new to Peru. A small group of recently-graduated business and industrial engineering students, chosen on merit but purposely with no prior experience in apparel-making, have been hired and rigorously trained by microenterprise apparel-making experts to provide an array of highly specialized services (apparel design and pattern-making, apparel marketing, industrial processes and small business administration practices etc.) to MSP apparel-makers. These four-person gabinetes will be located in the marginal urban areas within easy walking distance to their clients to (a) give intensive apparel-making training courses (e.g. one objective is to train seamstresses in five weeks versus the twelve month course GOP technical schools offer loaded with unnecessary coursework and provide job outplacement services) and (b) provide individual consultancies for the apparel-making microenterprises in their cluster to deal with specific problems. The first Gabinete has been formed and is operating in Lima's Villa El Salvador squatter town. Studies have established that fees from an average 40 microenterprises plus income from other apparel-related services are necessary to sustain operations (fees on sales are not included in this calculation). In effect, they are designed to operate as small profit-making enterprises in themselves that offer apparel-making services which are in demand by the market. It would have been useful had the evaluation reviewed this unique aspect of the pilot program to provide feedback on a system MSP has specifically designed with sustainability features in mind.

Issue: The ME specialist states that MSP's handicrafts sector program needs to focus on fewer products and that important market opportunities are being missed by not finding new markets for traditional Peruvian handicraft products which, according to the evaluator, have a proven market.

Comment: The handicrafts program was initiated during the ETD phase and this, in large part, explains why it is export-oriented. The program started with an analysis of the sector which determined that Peruvian handicrafts exports were decreasing mainly because Peru's traditional products have saturated markets and that a change must be made in Peru's products to meet current market requirements. The U.S. market was chosen as the Project's target market because it is the biggest and most dynamic market. After analyzing U.S. market requirements, new products have been designed, produced and sold. As pointed out during the evaluation process, it would be useful if any information could be furnished on any particular missed market

opportunities for Peruvian handicrafts whether they be traditional or the improved variety of products.

Comment: Within the ME section of the EDR, charts illustrating strengths and weaknesses appear confused and contradictory. For example, under the Table No. 1 entitled "Demand-driven Orientation", one of the strengths of the handicrafts program is that it "has concentrated in a few product lines". This same table lists the following handicraft program weakness: "there is still dispersion into many product lines without proven demand, small production capacity and inadequate systems to support". Under this same table, the apparel-making program "has shown professional ability to identify products and buyers", yet conversely in this same table, the "lack of market study or survey identifying producers, products, markets, or buyers" is pointed out as a weakness. In Table No. 5 entitled "Selection of Clients/Products", the following two strengths are pointed out for the handicrafts program: "capacity to work with buyers to identify appropriate products" and "numerous activities carried out to facilitate the process of selection of clients/products". This same table mentions that the handicrafts program suffers from a "weak system and mechanisms of selection of clients/products". In Table No. 6 entitled "Provision of Services of High Impact", a strength of the handicrafts program is that its "services are adequately designed to the needs of clients", yet in the same table "weak direction of services to results in sales and employment" is described as a weakness. We asked that these contradictions be corrected or at least the text be revised so we could understand the points the evaluator was attempting to raise, but they have not.

2. End of Project Status (EOPS):

Issue: In terms of the likelihood of MSP achieving its main purpose-level objectives, the ME specialist states that "it appears that the EOPs cannot be realistically fulfilled if the current systems of execution and control are maintained. However, if ... systems of control [are simplified] and .. clear goals and key indicators [are set, MSP's] ... achievement of EOPs could improve." (EDR, page 25.)

Comment: Statements such as these, which appear throughout this section, are of little help. It would be important to know whether any data was considered to support this statement. If it is a problem of measuring results, and if the MSP Project does not have adequate monitoring systems as seems to be inferred here by the consultant, then the Project will not be able to know if the EOPS are achieved or not. It would be helpful to know whether the evaluator considers the Project's EOPs realistic or not, and if not, why? What percentage of compliance with MSP's current microenterprise sales and employment goals for handicrafts and apparel-making is possible and why? What control systems need to be simplified and how?

Issue: On the viability of achieving MSP's EOPS indicators the Ag specialist states: "... it is the opinion of the evaluators that the EOP targets for the MSP Project are not realistic, neither in terms of sales increases nor in full-time employment to be generated...". The evaluator bases this assertion on the credit specialist's prediction "that insufficient credit will be available to satisfy the Work Plan objectives" and that the asparagus program, expected to contribute \$30.0 million in sales over LOP, was dropped in June 1995. Both quotations appear on page 33 of the EDR. No predictions of insufficient credit were found in the Credit Section of the evaluation.

Comment: Recognizing that some product programs have had delayed starts because market and design studies were required, important growth rates for some products such as dried legumes, key limes and mangoes are expected to compensate in terms of the Project reaching projected impact levels. Furthermore, it is not taken into consideration that programs have recently been initiated for products such as yellow potatoes, Andean grains, alpaca products (fiber, meat and fur), and shrimp. Other products such as sweet yellow onions, introduced to Peru by MSP, were not envisioned to be major contributors to purpose level indicators, but are now beginning to demonstrate enormous growth potential, many times higher than originally estimated. One year ago, MSP estimates of onion sales during the course of the Project were pegged at \$5.5 million. These have now been revised to \$20.0 million. Furthermore, we believe that within five years sweet yellow onions may replace asparagus as Peru's No. 1 non-traditional agricultural export crop with over \$60.0 - \$70.0 million worth of sales annually.

Issue: The ME and the Ag specialists argue that the Project will not achieve its EOPs based in part on negative cost-effectiveness of products such as apparel, cacao, Andean grains and alpaca products. Both base their conclusions on "cost-benefit analysis" tables (Table No. 7 - page 25, and Table No. 11 - page 34).

Comment: These tables only consider 1995 costs and sales failing to take into account costs and sales projections over the life of the Project. This leads to highly skewed cost/benefit ratios. Costs to sales ratios are invariably high in the first year of program implementation, but then gradually become more favorable over the life of the Project. In the last year of Project implementation, projected sales will tend to be relatively high as compared to costs. Compare the ratios cited in ADEX' Attachment B to that of the EDR. The shortcomings of using these (partial) data were pointed out to the team when in Lima, yet the information was still employed in the EDR and is being used to draw major conclusions on product cost-benefit.

The EDR contains other misleading statements. On page 30, it is stated that because of credit difficulties, only 410 hectares of beans were planted out of a planned 8,000 to 10,000 hectares in (CY) 1995. Almost as an afterthought, the text mentions that there is a second planting season yet to be realized in 1995. Credit problems did hamper planting during the first season. The correct total 1995 target is 8,000 hectares. The text fails to mention that the second planting season target is 6,000 hectares (75 percent of the annual target).

3. Targeted Sectors and Products:

Issue: The Ag specialist proposes the reallocation of resources into "high impact" products such as onions or coffee and the elimination of products such as Andean grains, alpaca, and shrimp because it would guarantee that the two main Project success indicators are reached.

Comment: The products proposed for elimination were chosen precisely because they afford conduits for providing assistance to some of the most remote areas of Peru by developing profitable and sustainable marketing strategies for items which the very poor produce. The Project can be expected to incur relatively high implementation costs for the initial phases of these programs. If developing alternatives for the very poor were a simple task, there would not be any poor people in the area! However, reaching the very poor is one of USAID/Peru's highest

priorities. This geographical refocusing was part and parcel of MSP's latest amendment designed to increase outreach to the very poor in the coca-growing and coca labor outmigration areas. Yellow potatoes are also part of MSP's geographical focus and now after only one year of effort it is showing particularly interesting market potential internationally. This product had its share of detractors when MSP first decided to include it within its Sierra strategy. Now it is considered to be one of the Project's potential star products not only in terms of sales volumes but the Project's ability to impact in several of Peru's "extreme poverty" regions. It is expected that MSP yellow potato production programs will be expanded to two or three other extreme poverty regions to allow for year round export supply. It normally takes significant additional effort to design a successful market strategy for items produced by very poor people in remote areas, but its relative impact in terms of income increases makes it worthwhile.

An additional comment related to results may be relevant in this context because it seems that the evaluators give excessive importance to sales as an objective in itself. One must always remember that MSP's purpose is "to increase income and employment of microentrepreneurs, small producers and smallholder farmers ...". Sales is a proxy for incomes. Monitoring increases in sales is much easier than monitoring changes in incomes. However, the Project is developing indicators to estimate the sales-incomes relationship for its clientele. MSP does not aim at providing Peru with alternative sources of foreign currency as was originally envisioned for ETD. Employment generation is an objective closely related to incomes; sustainable jobs are a source of incomes.

However, it would be most beneficial to know if the Ag consultant also bases the recommendation of terminating Project assistance for the above mentioned products on market information on consumption trends, product quality requirements, previous experiences in other countries, etc.

4. Key Outputs and Indicators:

Issue: The evaluation team has not reached consensus on this issue. The ME specialist believes that "the quantity of information requested by AID seems to be decisively influencing MSP management toward focusing on process rather than results." (EDR, page 27). The Ag specialist, however, believes that MSP "has made substantial progress towards meeting the majority of the key outputs established in the logical framework. ... The achievement to date of these outputs is laying the foundation for partially achieving the purpose-level objectives (EOPs), which are felt to be not totally realistic ..." (EDR, page 35).

Comment: The evaluation team should reach consensus on the different evaluation issues or explain the reasons why each evaluator disagrees with their colleague's opinion.

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5. Institutional Mechanisms and Project Management:

Issue: Similarly to the previous SOW issue, the credit specialist believes that there is lack of communication between the Credit Services unit (LBII) and the Product Management units (ADEX). This is supported by the comments provided by ADEX' Ag Product Management Unit in Attachment B. However, the Ag specialist continually states there is good coordination between both ADEX and the Institutional Contractor (LBII).

Comment: The team should reach consensus or explain the reasons for the difference in opinions.

6. Monitoring & Evaluation and Management Information System:

Issue: Consultants believe that the Project's Monitoring and Evaluation System (M&E) and the Management Information System have been developed "... to gather ample information, and databases, ... However, these systems do not prioritize selection of data to be processed ... [consequently] ... data-[gathering] should be re-oriented toward reporting on basic indicators of MSP, such as sales, ..." (EDR, page 28.)

Comment: In the consultant's opinion, what are the purposes (differences) between the M&E and MIS? Do both systems gather gender disaggregated data? What is the information they collect? What are the "ample information, data bases..." that the consultant is referring to? Is the M&E system timely and cost-effective? Are the comments related to the whole MSP or a specific sector? We note that in the agriculture section, the M&E and MIS description, purposes and objectives are qualified as adequate. LBII's comments on this issue contained in Attachment A go into this in more detail. When it was discovered that the consultants were having difficulties in understanding and differentiating between the two systems, specific memos were written and shared with the consultants but this appears to have had little effect since the early stages of the evaluation.

Issue: The evaluation team believes that too much attention is paid to baseline data gathering related to the client and not to direct results measurement. ("... MSP ... consumed unnecessary time and expense trying to measure individual client baselines including personal income." -- EDR page 36.)

Comment: The Mission believes that this type of information is important for monitoring the achievement of the Project Purpose: "increase income and employment of microentrepreneurs, small producers, smallholder farmers.. " (See additional comment related to results in issue No. 3 above.) (LBII's comments include a complete section on this issue.)

7. Information and Documentation Center:

This issue was not addressed by the evaluation team.

RETROSPECTIVE ANALYSIS

8. Cost Recovery:

Issue: According to the Ag specialist, "Initial efforts at cost recovery of services in agricultural programs are perhaps more advanced than recognized,..." (EDR, page 37). However, the ME specialist opines that the apparel-making program is excessively subsidizing its services creating a market distortion reducing the competitiveness of other lower cost services. It appears that the ME consultant believes that the MSP services for apparel producers will not be sustainable when the Project ends.

Comment: The services MSP provides are of high quality as is explicitly recognized by the evaluation team. These technical assistance services would have probably been considered too high quality for the level of clients MSP targets. However, by subsidizing them initially ("providing distorted market signals"), MSP allows its clients to test them. The productivity increases and quality improvements generated by new techniques make MSP clientele able to access higher price market segments. Thus, MSP clients (a) are able to capitalize the subsidy by improving their productive and marketing capabilities, (b) become convinced that it is worthwhile (profitable) to pay for the new services, and (c) are able to afford the services' full cost because their improved level of sales and profitability allow for it. A Microenterprise Support Center (CAM) is formed by an Apparel Advisory Team (Gabinete Tecnico) and a Workers Training Center (Escuela de Operarios). Studies have established that the CAM requires 40 microenterprises plus income from other apparel-related services to sustain its operations (fees on sales are not included in this calculation). Finally, the Project's sustainability depends on the success its clientele obtains. The more MSP clients increase their profitability, the better the services they will be able and willing to buy.

9. Assessment of Project Strategy:

No comments are necessary.

10. Implementation of Project Activities:

This issue was not addressed (the required calculation of minimum resource level requirements over the LOP).

11. Resource Allocation:

Issue: The Ag specialist states "Financial services have definitely been neglected in terms of their critical role in assuring implementation of Project services."

Comment: "Neglected" may not be the appropriate terminology. The consultant is not taking into consideration that financial services for microenterprises and smallholder farmers were only strengthened within the MSP modification made in September 1994. Credit access was identified as a key constraint when MSP was designed and the Credit Access Program (CAP) was designed as an additional financial service together with the already existing Anti-Poverty Lending (APPLE) Program and the Pilot Credit Union (Caja Rural) in Northern Peru. The CAP was approved only seven months ago and as the evaluation's credit specialist has demonstrated, as of July 31, 1995, 252 loans were already approved for a total of \$516,000. Furthermore, new funding from G/EG/MD Microenterprise Innovation Project (MIP) has been approved to reinforce the CAP for microenterprise programs. Unfortunately, at the time this mid-term evaluation was conducted, the Mission had still not received from Washington these MIP funds approved in May. It may be safe to say that on some fronts related to credit additional progress could have been made, but on the whole it is too early in this component's implementation to draw too many conclusions especially since it has yet to receive its full complement of initial resources.

Other aspects of this issue have been addressed in previous comments. On the recently added MIP and P.L. 480 Title III activities, the evaluators offer no observations.

II. COMMENTS ON THE EVALUATORS' CONCLUSIONS AND LESSONS LEARNED

This section comments on the evaluation's conclusions which the Mission believes need further substantiation, or which are based on inaccurate information.

MICROENTERPRISE NON-FINANCIAL ASSISTANCE PROGRAMS

1. Issue: The evaluator does not agree with initial subsidies on high quality technical assistance because it jeopardizes future sustainability of the services and generates distortions in the services market. (EDR, page 46.)

Comment: Comments on this issue have already been provided related to SOW issue No. 8 above. However, the evaluator mentions that MSP's activities are distorting the market against providing similar services. There are other technical assistance services available for apparel-making microenterprises. Has the evaluator made an assessment of other services? Are the programs comparable? Is the MSP CAM hampering the success of other programs? Finally, one should always keep in mind that the Project's sustainability depends on the success its clientele

obtains. The more MSP clients increase their profitability, the better the services they will be able and willing to buy.

2. Issue: Weaknesses of management and control systems are mentioned which distort strategy implementation and affect the achievement of expected results. MSP .. "management is able to search for ... more speedy alternative approaches that do not necessarily coincide with [MSP's] methodology ... [affecting] the achievement of results." (EDR, page 46.)

Comment: Clarification of exactly what is meant by this assertion would be helpful. Does the consultant find it incorrect or undesirable to search for alternate or more efficient approaches? The consultant should explain the relationship between alternative methodology and negative results.

3. Issue: The evaluator believes that there is a "lack of results-oriented information and management system and the excessive data requested by AID and the Ministry of Economy & Finance - Public Law 480, generally of a procedural nature, diverts MSP managers from decisively developing a results-oriented culture." (EDR, page 47)

Comment: Terms such as "results-oriented culture", as well as "lack of homogeneity" or "convening capacity" should be explained to assist the reader in understanding the evaluator's conclusions. More information is required to comment on the "weak results-oriented culture" and the "current systems and management methodologies do not all work towards a results-oriented culture" statements.

On the nature of the data the Mission and the Management Information System requires, the Mission believes that if the Project is well designed (as apparently the evaluator believes it is), monitoring outputs will allow Project management to know if the purpose level indicators will be achieved. Using a business management systems example: Total Quality Control (TQC) relies on controlling processes to ensure the final product is of the required quality.

4. Issue: The ME specialist notices that "[there is no] ... clear definition of roles within or between LBII, ADEX and AID," ... and that there is also a "... lack of clarity over relationships at the management level and lack of coordinating systems at different levels to facilitate administrative processes." In this chaos, however, "... the MSP Project has, in its short implementation period, structured a good internal and administrative team, ..." (Quotations taken from EDR, page 47, "5.1.5 Institutional structure not actualized.")

Comment: These types of contradictory statements abound in the Evaluation Draft Report, particularly in the Non-Financial Microenterprise Services section. The report requires a very closely scrutinized review to ensure such statements are eliminated or corrected. The Mission did not take the time to list the several other examples we found in the report.

Final Comment:

We expect that DAI-GEMINI will take these comments into consideration, as well as the attached comments from LBII and ADEX, in order to complete their assignment. If time is deemed insufficient to incorporate all comments, correct errors and clarify issues, we request at least they are mentioned in the executive summary and attached to the Evaluation Report to be published.

cc. Joan Parker, DAI

Clearance:

JBakken, PDP (draft)

DBoyd, DD (subs)

Draft: ORD/PENRD, ADavis, EAlbareda, 9/27/95

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***RESPONSES OF INSTITUTIONAL CONTRACTOR TO PRINCIPAL ISSUES RAISED
IN FINAL DRAFT REPORT OF MSP MID-TERM EVALUATION***

I. MSP Management

The Evaluation Team brought up a number of interesting issues with respect to the management of the MSP. These include:

- 1) the lack of a clear definition, beyond what is written in the PP Supplement, of the roles of ADEX, the Institutional Contractor, and of USAID in project implementation;
- 2) the lack of a decision-making management body, such as the MSP Executive Advisory Committee;
- 3) the lack of a formal system of regularly scheduled technical committee and/or staff meetings;
- 4) the necessity to modify MSP's current management information system (MIS) and to implement a more results-oriented system of administrative control.

The Institutional Contractor believes that these are all valid management issues, and that it would be useful to discuss them in the near future with ADEX and with USAID. On August 29, the advisability of having a "retreat" to discuss these and other issues was discussed with members of USAID and the Evaluation Team.

Notwithstanding the value of these suggestions, the Institutional Contractor feels that the Evaluation Team was overly quick to suggest systematic approaches to a variety of management issues. This management approach carries the danger of confusing good management with the creation of bureaucracies. MSP management has tried to focus, instead, on the achievement of results.

II. Monitoring and Evaluation

As you know, the verbal criticism of MSP's Monitoring and Evaluation System by the Evaluation Team provoked a lively discussion of the subject during recent weeks as well as two LBII memoranda (attached). The Final Draft Report by the Evaluation Team is internally inconsistent in its reflection of these communications, which were principally for the purposes of clarifying questions regarding particular aspects of MSP's Monitoring and Evaluation System and distinguishing this system, which was mandated in the Project Paper (PP) Supplement, from the Management Information System (MIS), which the Institutional Contractor subsequently developed as a management tool to assist ADEX managers.

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The discussions in the sections entitled "Monitoring and Evaluation and Management Information Systems" on **pages 27 and 34-35**, for example, reflect a correct understanding of the purposes and functioning of the two systems; those on **pages 23** ("the MSP has not yet build in its...Monitoring and Evaluation System...mechanisms...for the gathering of primary information at the client level, etc.") and in the **tables presented on pages 17-19** (referring to the "inexistence" or "weak system of management, control, evaluation and follow-up"), however, reveal a persistence of the misunderstandings that were clarified in the two memoranda and in subsequent conversations.

Perhaps the most egregious example of the persistence of confusion on the part of the Evaluation Team with respect to the Monitoring and Evaluation System is in **Agricultural Key Recommendation number 2, on page 50**, which recommends that the Monitoring and Evaluation System be revised to verify and track monthly progress toward the achievement of EOPS objectives and delete its tracking of day-to-day activities. In fact, it is not the Monitoring and Evaluation System, but the Management and Information System (MIS) that tracks day-to-day activities. The MIS would also be the appropriate place for tracking monthly progress toward EOPS objectives. To do so under the Monitoring and Evaluation System, as the Evaluation Team recommends, would be extraordinarily time consuming. This same recommendation goes on to suggest that "spot checks" be conducted by MSP's Monitoring and Evaluation Unit. In fact, MSP's Monitoring and Evaluation Unit does conduct such spot checks.

In addition to the persistence of misunderstanding on the part of the Evaluation Team with respect to MSP's Monitoring and Evaluation System, we would like to comment on the suggestions on **pages 34-35 and on page 50** with respect to measuring progress toward the achievement of MSP objectives (EOPS). First of all, we must disagree with the assertion that there has been a "delay in establishing accurate and reliable baselines." In fact, those programs in which the baseline has not been completed (key lime, coffee and cacao) are programs that are still in their "demonstration" phase, in which the client base is still being defined; it would be premature to have completed baseline work at this time. Secondly, the contention that the baselines in new products (onions and dry beans) should be zero reflects the overall belief of the Evaluation Team that MSP impact can be measured in terms of increased sales of products, and that we should not concern ourselves with measuring MSP impact on clients, (i.e., increased incomes of MSP small producers due to MSP's intervention). It is the understanding of the Institutional Contractor that the latter methodology, which is being used in an effort to establish levels of client sales that are attributable to MSP, is consistent with the objectives of the MSP in terms of increasing client incomes.

Finally, Agricultural Key Recommendation number 4 on page 50 asks us to revise MSP's methodology for determining employment generation. We agree with this recommendation, and look forward to discussing with USAID the precise definition of (to quote from the Logical Framework in the PP Supplement) "36,500 full time and seasonal jobs created."

III. **Self-Sustainability and Institutional Strengthening**

Self-sustainability is a relatively new concern; and as such, was not part of the 1994 MSP design. The Evaluation Team was asked to examine the subject within its prospective analysis and, at the same time, the Institutional Contractor drafted an initial document on the subject entitled "A Framework for Promoting Sustainability." Both efforts, we believe, have yielded worthwhile results that serve as valuable initial efforts in this important area.

We must point out, nonetheless, that undertaking a major effort to promote future MSP self-sustainability, as the Evaluation Team suggests, will require resources that have not been foreseen in the current MSP budget. The determination of the cost-effectiveness of MSP services and subsequent establishment of a functional system of cost-recovery will require, at a minimum, a fairly extensive overseas consultancy. Promoting the institutional strengthening of MSP counterpart organizations will require considerably more resources. We believe that it is time for all parties involved in the MSP to discuss this important subject and to make the required modifications in the design of the MSP.

IV. **Planning**

The final Draft Report of the Evaluation Team contains a number of recommendations with respect to the MSP planning process to which the Institutional Contractor feels obliged to respond.

The recommendation (page 51, number 11 and page 52, 1st paragraph) to extend the planning process within the MSP to include the preparation of a planning document for the remaining life of project is an interesting one, and its incorporation into the process of preparation of the annual plan in November must be considered.

The Evaluation Team suggests (recommendation number 4, page 50 and throughout section 4.2.2, pages 30-33, see especially the last paragraph of page 31) that, given progress to date, MSP EOPS should be revised downward to reflect projections that are more realistic than those found in the PP Supplement. This view is justified with data (Table 15, page 32) that the author subsequently admits is flawed. To mention only the most obvious details of why this data is flawed, asparagus is deleted from the projections, but new products (yellow potato, shrimp, Andean grains, and alpaca) have not been added. Furthermore, projected sales figures from the PP Supplement are used that, in the cases of coffee, onions and other products, are now completely unrealistic.

Perhaps more importantly, the Evaluation Team commits a conceptual error that is not unlike that which, we believe, causes its confusion between the purpose of the Monitoring and Evaluation and that of the Management Information systems: it fails to distinguish between formally established objectives, such as EOPS, which can be changed only through a formal submission

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to USAID/Washington, and data that is generated for internal management purposes of having up-to-date projections of results for project planning.

For purposes of planning, MSP management does, in fact, update sales and employment goals on an annual basis. Also unknown to the Evaluation Team is the rigid planning exercise that was conducted by MSP's Monitoring and Evaluation Unit in March 1995 in support of the effort by Office of Program and Project Development to establish realistic measures of annual progress in major indicators for USAID/Peru's Strategic Objective No. 2. This effort resulted in a revision of MSP's LOP sales total downward from \$150 million to \$126 million, and its employment generation from 36,500 to 22,525. This planning exercise was not and, we believe, should not be converted into a formal change in MSP EOPS. This is due, in part, to the fact that several product programs are just beginning or, as in the case of shoes, have not even begun. We believe, therefore, that it is still too early for such a formal change in project design as the revision of EOPS implies.

We are in agreement, in principle, with another recommendation of the Evaluation Team: the reallocation of the MSP budget according to results-based criteria, e.g., eliminate programs that don't pass the cost/benefits test and place these resources in "superior" product areas. However, this process must be undertaken with care, and not with flawed cost-benefit analyses such as that presented in **Table 16 and subsequent text on page 33**. A correct analysis would include projected figures for the entire life of project, and therefore permit an appreciation of changes in cost-benefit ratios that occur during different stages of product development.

V. Credit Access Program (CAP)

The Final Draft Report of the Evaluation Team presents a series of interesting recommendations with respect to the CAP, including the need to 1) improve communications and coordination between ADEX managers and the credit component, 2) to add a full-time institutional strengthening specialist to the CAP staff and place the CAP directly under ADEX administration, 3) to integrate the CAP into the MSP Annual and LOP Work Plans, 4) to limit the number of NGOs in the CAP and sign all agreements before end of 1995, and 5) to prepare an "emergency program" in order to meet stated 1995 goals. The Institutional Contractor has no major objection to any of these, and is ready to discuss them with USAID and ADEX at their earliest convenience.

We must express our disagreement, however, with the contention (**section 5.2, page 45 and section 4.2.1, page 29**) that the CAP has become a major constraint throughout MSP's agriculture program.

First of all, we would point out that the Final Draft Report of the Evaluation Team is inconsistent with respect to this judgment. In **section 5.3, no. 3 page 46**, it states (correctly, we believe) that the late initiation of the CAP has thus far been a constraint only in the dry beans program. We would add that difficulties in coordination this far-flung program have also contributed to the delays in MSP dry bean clients' receipt of credit access.

ADDITIONAL COMMENTS/CORRECTIONS

1. (Section 5.2 page 45) The lack of land titles is not due to recent government policy, but rather to the institutional incapacity of the government.
2. (Section 6.1.3 page 49) states that handicraft and apparel programs should concentrate on products with greater potential. Needs clarification, is he suggesting some particular products? What are they?

ADEX RESPONSE TO FINAL DRAFT REPORT OF MSP EVALUATION TEAM

AGRICULTURE PROGRAMS

1. The most important aspect that must be considered in a revision of the portion of the Final Draft Report of the Evaluation Team that pertains to the MSP Agriculture Programs is the calculation, in **Table 16 on page 33**, of the costs to MSP in comparison to the sales for each product.

In this calculation, the Evaluation Team considered the costs and sales for the year 1995, but failed to consider projections of costs and sales for the remainder of the life of the Project. This produced a major miscalculation of the cost/benefit ratios, due to the fact that the ratios of costs to sales are invariably high in the first year of program implementation, but then gradually become more favorable over the life of the Project. In the last year of Project implementation, projected sales will tend to be relatively high as compared to costs.

A proper calculation of the costs/sales ratios for each product in MSP's Agriculture Programs, considering projected figures to the end of the life of Project as should have been considered in **Table 16 on page 33**, follows:

<u>Product</u>	<u>Total Projected Costs</u> <u>(in US dollars) *</u>	<u>LOP Projected Sales</u> <u>(US dollars)</u>	<u>Cost per \$1,000</u> <u>Sales (US dollars)</u>
Dried Beans	\$2,259,980	36,140,769	62.53
Onions	462,222	37,110,424	12.46
Mango	478,570	9,040,000	52.94
Key Lime	544,240	6,102,000	89.19
Garlic	485,660	5,276,750	92.04
Andean Grains	536,254	2,113,750	253.70
Potatoes	543,880	9,300,000	58.46
Alpaca	763,030	1,553,000	491.32
Coffee	898,120	7,299,600	123.03
Cacao	537,880	2,386,350	225.40
Shrimp	109,490	446,429	245.26
Total	\$7,619,126	116,769,072	65.25

* Projected costs are calculated on the bases of the budgets stipulated in the Sub-agreements with MSP counterpart organizations, together with an estimated amount that corresponds to the costs of management and technical assistance for each program. The period under consideration is 1994-1997.

2. With respect to the Evaluation Team's comments on **page 32** and in **Agricultural Key Recommendation number 1** on **page 50** concerning the need for an Emergency Plan to deliver credit to clients in the Agriculture Program for their 1995 campaigns, we would add that this Emergency Plan should also consider financing based on contracts between buyers and/or financial organizations and the MSP counterpart organizations and/or individual clients (This alternative would be particularly viable in commercial transactions that offer a high rate of return on investment).
3. We fully concur with the portion of **Agricultural Key Recommendation number 1** on **page 50** that suggests that the communications and coordination between management of the Agriculture Programs and the Credit Access Program require improvement.
4. With respect to **Agricultural Key Recommendations numbers 6 and 7** on **page 50**, MSP should proceed to integrate the production of additional crops in rotation with those presently under production in order to increase the incomes of MSP's small agricultural producers and to increase employment during a longer portion of the year.

With the consideration of producing greater Project results, an analysis will be undertaken of the possibility of using any budget resources unspent at the end of the year in other products and areas that have the greatest opportunities of achieving short-term results. One possibility would be to introduce new crops that have a very short growing period and a high profitability (fresh produce), according to the demand of known buyers and giving preference to those currently under contract by MSP.

MICROENTERPRISE PROGRAM

ADEX is disappointed with the evaluation of the Microenterprise Program that is presented in the Final Draft Report of the Evaluation Team.

In this regard, the text reflects a lack of understanding of many basic aspects of the Program's design and strategy. We believe this to be due in part to the Evaluation Team's viewing the MSP through a collection of preconceived notions that lead it to a failure to take into account the distinct realities of the Peruvian context. It is also the result, we believe, of the Team's use of

an inadequate methodology, in terms of understanding documentation that was presented to the team and interviewing the pertinent individuals and asking the relevant questions, that resulted in the frequent presentations of conclusions that are overly vague and/or not properly substantiated.

In addition, the text is written in such a way that Microenterprise Program managers are able to find very little in the way of explicit criticisms of the Program or recommendations for its improvement. In fact, ADEX managers are left uncertain whether or not the Evaluation Team believes the Microenterprise Program is or is not on a path that will permit them to reach the Program's established goals.

A number of the specific criticisms below were brought to the attention of the Evaluation Team, together with Memorandum CAA-GME-403/95 and the document "Realización... de Actividades de Mercadeo," (both of which are annexed to this document) in a meeting with the Microenterprise Expert on September 7. However, they have not been corrected in the final draft evaluation report.

1. The length of the discussion of the Microenterprise Program strategy is out of proportion with the discussion of other aspects of the MSP. This is due, in part, we believe, to the multiple presentation of some conclusions. For example, the supposed failure in the apparel sub-program to have a demand-driven strategy that is brought up on **page 13** is repeated on **pages 16, 17, 19, 20, 21** and elsewhere. A number of other themes, including the supposed "inexistence of a system of management and control...", the and the "lack of a culture of results" are, likewise, repeated over and over.

In addition, it should be pointed out that Section III, "Statement of Work," in the Scope of Work for the MSP Mid-Term Evaluation outlines a series of concerns that the evaluation is to address, is reproduced on **pages 4 and 5** as the "Key Evaluation Questions." Nonetheless, these concerns are raised in the Final Draft Report only sporadically -- on **pages 23-28**, in the major findings with respect to the Microenterprise Program, and again in **pages 29-36**, in the major findings with respect to the Agriculture Program -- but thereafter are not systematically addressed in the text. No similar set of findings is presented for the Credit Access Program, and there is no effort to key the Report's Conclusions of Recommendations to these "Key Evaluation Questions."

Lastly with respect to organization, particular themes are discussed at times in places in which there is no apparent organizational justification. For example, in the middle of a discussion of End-of-Project Status objectives on **pages 23 and 24**, the text inexplicable turns to a description of MSP's failure to have proper cost recovery. We would expect to find this text within the discussion of cost recovery on **pages 27 and 28**.

2. Conclusions and recommendations are commonly made without being substantiated.

For example, **Section 4.1.1 on page 16** criticizes MSP's limited efforts to consider proven markets for traditional handicrafts without substantiating this claim. MSP consultant Aid to Artisans has informed us to the contrary, that the market for traditional handicraft products in the United States is saturated.

3. Some of the conclusions and recommendations of the Evaluation Team that are potentially most useful lack the level of specificity required to be of practical use by the ADEX implementation team.

For example, the discussion of Institutional Mechanisms and Project Management states, on **page 27**, that a lack of precision of the tasks assigned to ADEX and to the Institutional Contractor has created gaps in the administration of the MSP. A similar conclusion is reached in **section 5.1.5 on page 44**. If such administrative gaps indeed exist, it is important that the Evaluation Team specifically identify them. Similarly, key recommendation numbers **6.1.1, 6.1.2, 6.1.3, and 6.1.4 on pages 48 and 49** all urge the MSP to "strengthen" one aspect or another of the MSP. It would be extremely helpful if the Evaluation Team were to offer us more specific advice as to **how and to what degree** we might strengthen these aspects of the Project.

4. Some statements are contradictory.

The clearest example of this is in **Table 1 on page 17**, in which "concentration in few products" is listed as a strength, while "dispersion in many product lines..." is listed as a weakness.

5. The analysis of the Microenterprise Program too often misunderstands or fails to take into account documentary and/or verbal evidence.

In Section 3.3, "Project Implementation Strategy," for example: a) the first paragraph on page 13 fails to recognize a number of efforts undertaken by MSP toward the identification of market opportunities in the apparel sub-program (see annexed documents), and the following paragraph, describing the shoe sub-program, does not recognize the 1989 market study conducted by the IESC or the April 1994 consultation by a Brazilian expert; b) the discussion of the identification of producers in the middle of page 13 erroneously states that the survey of artisan workshops conducted by DEBASE-CDI was for purposes of identifying client-producers in the handicraft sub-program. In fact, this study was for purposes of establishing a baseline for monitoring sub-program results.

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The analysis of TA provided by MSP on page 22 as not proven to lead to increased sales and as "generating market distortions" due to their being "heavily subsidized" does not take into consideration a body of data on projected sales and on projected recuperation of costs.

6. The analysis of the Microenterprise Program often makes analyses without taking the Program's dynamic realities into consideration.

The Evaluation Team forgets that the Microenterprise Program, particularly its apparel and shoe sub-programs, is in a process of development, and instead judges it statically. For example, on numerous opportunities, including **Key Recommendation number 6.1.2 on page 48**, it is suggested that the number of personnel should be increased in order to properly implement program activities. ADEX management agrees with this recommendation, and is doing so gradually as the implementation levels of the apparel and shoe sub-programs increase. Likewise, the cost/benefit analyses undertaken on **page 24** use 1995 data (similar to **Table 16 on page 33**), whereas a correct analysis of the cost effectiveness of the apparel program must also consider projected cost and sales figures for the life of the Project.

7. At times, the Evaluation Team expresses a view of project management that ADEX managers believe should be more flexible.

In a number of instances, the Evaluation Team argues in favor of a static view of project design and management, i.e., that systems should be established, then followed rigorously throughout the life of the Project. For example, **Conclusion 5.1.3 on page 43**, states that the "weaknesses of management and control systems" has brought about slack compliance on the part of the Microenterprise Program management with the original Project design, forcing it to seek "more practical, alternative methodologies" that negatively affect the Program's achievement of results. ADEX believes, on the contrary, that a rigid compliance to original design parameters is incorrect, and that good management practice that incorporates flexibility in order to react to ever-changing market conditions has a positive effect on the achievement of results.

Some Corrections

- a) Acknowledgements: Last Paragraph, the following corrections should be made:
 - Nina ~~Quintana~~ for Nina ~~Quezada~~.
 - Armando Pillado is not an Economist, he is an Engineer.
 - Alfredo ~~Mendivil~~ for Alfredo ~~Mandivil~~.
- b) Executive Summary: A statement of the problem MSP is trying to address would be useful to understand the relevance of the Project.
- c) Introduction: It would be illustrative to include a short paragraph on Peruvian context in the Background section (why we are doing this project- 80's economic crisis, lack of employment opportunities, size of the microenterprise sector, importance of ag and non-traditional exports).
- d) p.14 EDPYME- a footnote explaining what is an EDPYME, and what is the difference between this and the traditional NGOs that are acting as financial intermediaries would clarify more this section.
- e) p. 24 Strategy, Instead of goal 2.2 and 2.3 use "program outcomes".
- f) Sections as MIS, institutional mechanisms, management, that deal with the whole project should be integrated in one section. Numbers of footnotes do not appear in the footnote.

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ANNEX L

REPLY TO USAID/PERU COMMENTS

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REPLY TO USAID/PERU COMMENTS
Submitted by David Anderson, Team Leader
October 9, 1995

This reply was developed in response to the September 29, 1995 Memorandum from the Office of Rural Development, USAID/Peru regarding the MSP Project Evaluation Draft Report submitted by the DAI consulting team for which I served as Team Leader.

Introductory Comments

A final draft, not a rough draft, was submitted by the team to USAID in Peru on September 1, 1995. A draft is a draft, and was submitted in good faith to USAID to receive their comments. The team apologizes for the very poor Spanish to English translation for the Microenterprise sector which was incomprehensible in the draft. Pressure to submit the draft report did not allow for a revision of the translation.

I disagree that the report was ambiguous and that conclusions were not substantiated. This interpretation of the draft report is the viewpoint of the evaluated project, and to some extent a negative reaction to some aspects of the draft report is expected. It is my opinion that it would be impossible to present sufficient "proof of evaluators' findings" to satisfy the USAID Office of Rural Development given their strong feelings about the MSP Project.

The Microenterprise Component Evaluation section of the document has been revised to reflect many of the concerns of USAID/Peru and the project implementors. In this process, the team did not remove what they considered well-founded criticisms of the project. Rather, they provided additional substantiation for statements regarding this component. Given the strong negative reaction to these findings on the part of USAID/Peru, the only solution at this stage may be to conduct a new evaluation of the Microenterprise Component by another evaluation team.

The remainder of this response is to the concerns of USAID/Peru on the Agricultural and Credit Access Program components. Following are specific responses to other comments of the USAID/ORD Memorandum. I hope these responses clarify and correct any misunderstandings to the extent possible.

Specific Responses:

I. EVALUATION'S STATEMENT OF WORK ISSUES/RETROSPECTIVE ANALYSIS

1. Strategy

As mentioned above, no response will be made to the ME sector issues.

2. End of Project Status (EOPS)

a. Page 5 of 10. Issue of EOPS targets for agriculture. Although no exact statement was made in the draft report predicting insufficient credit would affect agriculture EOPS targets, the issue of credit deficiencies is mentioned throughout the evaluation report, and comments made regarding the predicted deficiencies of the MSP Project to mobilize sufficient credit. This issue was thoroughly discussed at the MSP staff debriefing held on August 29. Given the severity of the credit component problems, an unanimous agreement was reached on the importance of improving coordination and communications between the agriculture and CAP program managers. Independently, both LBII agricultural and MSP agricultural staff indicated serious concerns regarding availability, affordability, and accessibility to credit.

It is easy to do "paper farming", where revised sales estimates are based on total demand for a particular product in a particular market, and a certain percent market share that can/should be realized is projected. Being an agricultural entrepreneur with actual production and marketing experience, I disagree with this approach and tend to be skeptical of the ability of the MSP Project, given the short time remaining, to quadruple sweet yellow onion exports from Peru. Projections of what will happen 5 years from now are outside the scope of this project. It would be interesting to see on what basis sales are expected to increase from \$5.0 million to \$20.0 million and furthermore verify the 1995 estimates of \$5.0 million, which is the CIF value, not FOB.

b. Page 5 of 10. Issue of Costs and Sales for 1995. The agricultural expert acknowledges that 1995 costs of developing new products may result in future sales and so verbally stated this during the debriefing sessions held with the MSP staff and USAID. At the time the evaluation was made, the forecasted sales information now provided by ADEX in their response was not available or provided. There was no intent to disregard any available and accurate information. On the other hand, the ADEX Manager was very hesitant to provide detailed information to the team and did so only after strong insistence.

Regarding the bean planting program, the second planting season issue was not added almost as an afterthought. It was added to clarify that the year was not finished and intended to give the agricultural staff the benefit of yet complying with their planned program. The information regarding planting hectares goals for 1995 is inconsistent within the Work Plans of the Project and this was pointed out to the staff during the de-briefing. The ORD acknowledges in their response that the second planting season is only 6000 acres, which combined with the 415 of the first season still falls far short of the plan, and the reason given was lack of "opportune" credit when required.

3. Targeted Sectors and Products

a. Page 6 of 10. reallocation of resources into "high impact" products. The agricultural expert, with 21 years of agricultural development experience in 8 countries, does not need to be advised that "if developing alternatives for the very poor were a simple task, there would not be any poor people in

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the area! ". If reaching the very poor is one of USAID/Peru's highest priorities, and the geographical areas where the poorest of the poor are located have been so carefully identified, why weren't these areas and products given the priority they deserve instead of assisting exporters of mangoes, onions, textiles and handicrafts? There are considerable discrepancies in the MSP strategy and the resources allowed per product area.

The EOPS targets for sales and employment increases, if truly important to USAID, will simply not be met by directing aid to products without proven market demand. If social conscience is the underlying factor in assisting these areas, it should be plainly stated and the appropriate EOPS targets be established.

Paragraph 3 on page 6 of 10 seems to be an inward attempt to re-define the importance of sales income as an EOPS target. Sales equals income creates employment. We are in agreement with this paragraph.

Finally, the agricultural expert, as verbally stated during both of the de-briefings and apparently not heard or clearly understood, based his recommendations on terminating Project assistance for Quinoa and Alpaca products based on prior experiences and review of market studies for these products as provided by the MSP Project study on 16 Andean products. USAID needs to learn how to focus limited development funds towards areas with the best cost/benefit ratio unless they simply state the objective is to spend money in poor areas because they are sympathetic with the regions' socio-economic status.

4. Key Outputs and Indicators

a. Page 6 of 10, The evaluation team has not reached consensus on this issue. The USAID/ORD apparently does not accept separate conclusions for separate components of the Project. This is difficult to understand. It is clearly evident that differences of conclusions exist for each of the components, which were separately evaluated by different consultants specializing in his/her area of expertise. I do not feel it is appropriate to expect a total consensus based on the methodology used for the evaluation. The reasons are clearly stated for each consultants opinions.

5. Institutional Mechanisms and Project Management

a. Page 7 of 10, lack of communications between Project units. This issue is easily explained by clarifying that the Agricultural Specialist comments on communication and coordination is clearly directed towards the agricultural sector. Once again, the difference in opinion is attributed to the fact that three different evaluations were made for the separate components of the Project. It should be easily understood that differences will exist among the evaluated sectors. Why is it so important that total consensus be reached on each and every issue of the three components? USAID should appreciate the divergent viewpoints of the consultants and react accordingly.

6. Monitoring & Evaluation and Management Information System

a. Page 7 of 10, what are the differences between the two systems? This issue became a very controversial matter, and perhaps personalities more than substance became the final issue, e.g. unwillingness to accept a different viewpoint from the evaluation team and insistence on proceeding with the current system regardless of the deficiencies and weaknesses identified. In the revised final draft, at the suggestion of the ORD, further clarification of this matter was attempted. Provided herewith is a copy of this clarification:

"To further clarify this issue, the evaluation team defines the two systems as having contrasting purposes. The Management Information System (MIS) is operated exactly for as its name indicates: to provide management with information. This information may be administrative, financial, operational or political in nature, and may or may not be used for purposes of taking corrective action for improving the overall management of the Project. In direct contrast, the Monitoring and Evaluation System (M&E) is a management tool to monitor adherence to a given set of Project strategies and goals, along a pre-determined time frame, within a pre-established budget as stipulated in an approved Work Plan. The M&E system is the backbone for measuring the progress of attaining short and long-term results of the Project. It was a surprise, therefore, to encounter a completely different interpretation of the purposes and uses of these systems by the Project Management. This aspect of the MSP Project deserves immediate and careful attention if the USAID is truly interested in funding a "results-oriented" vs "process oriented" development project."

b. Page 7 of 10, too much attention is paid to baseline data gathering. The evaluation team is and was not opposed to baseline data gathering. And despite the reactions of LBII regarding lateness of the baseline data, the team continues to feel that its' criticism of the system is valid. In one particular work session held with James Rudolph, it was learned that LBII was attempting to determine the existing income level of farmers before they participated in the MSP program. It is the evaluation teams belief that this type of exhaustive baseline data gathering is a waste of human and economic resources. Various government agencies have sufficient data on crops grown, productivity, income, areas produced, no. of growers, etc. which can readily be used for baseline data. Growers that produce rice and then grow speciality beans will easily be identified by the grass roots organizations participating in the Project, and increased income and employment can easily be measured. Why is it necessary to take more than one year to obtain this basic information? An obstinate position was adapted by LBII on this issue and it is felt that any consensus between the evaluation team and LBII will be impossible to reach. In conclusion, it is hoped that attention will be given in monitoring progress made in reaching EOPS targets and that the information will be evaluated on a constant, not periodic, basis in order to react in a timely matter to obstacles preventing attainment of the Project goals.

7. Information and Documentation Center

a. Page 8 of 10, IDC issue not addressed by evaluation team. As reported by the evaluation team, and apparently overlooked by the ORD, there was little if anything to be evaluated at the Information and Documentation Center. By their own admission, both ADEX and the MSP Project staff

including LBII recognized the almost complete non-functioning of this unit and mentioned that action was being taken to correct the problem. The evaluation team had a personal audience with the President of ADEX at which the IDC issue was discussed. He readily acknowledged the existing weaknesses of the IDC and the need of focused attention by the MSP management and staff. Therefore, it is not true that this issue was not addressed by the evaluation team.

8. Cost Recovery

a. Page 8 of 10, technical services costs and recovery. Basically we agree with the statement made by the ORD on this issue. We do not understand where any disagreement exists. The ME expert simply stated his belief that the services were being heavily subsidized (true) while in the agriculture program action was being taken to begin cost recovery. Whether or not the ME sector will be able to achieve sustainability in the provision of technical services is doubtful bases on the current situation, but time will certainly resolve this issue, either favorably or unfavorably. The important issue here is to recognize that some doubts exist and that positive action is necessary.

10. Implementation of Project Activities

a. Page 8 of 10, this issue was not addressed. We believe the Work Plans adequately addressed the minimum resource level requirements over the LOP. Any omission of comments can be construed as not encountering any substantial issues.

11. Resource Allocation

a. Page 9 of 10, financial services were neglected. The Agricultural Specialist made comments based on the current situation, not forecasting future improvements to the credit program. It has been the Agricultural Specialist's experience that USAID chronically under-estimates the importance and necessity of available, affordable, and accessible credit for agricultural development, somehow wishing or hoping that the private or governmental financial sectors will come to the rescue.

The very fact that financing funds were dropped from the project in it's earlier stages, and that a Credit Access Program was added as an afterthought in September, 1994 confirms the Agricultural Specialist's statement that financial services were neglected. It remains to be seen whether or not the financial sources identified by the USAID and MSP will materialize and comply with the 3 A's of credit: available, affordable, and accessible.

Within the ORD office there is considerable appreciation and concern regarding this matter, as presented by the MSP agriculture program coordinator, Ms. Connie Gutierrez. It is hoped that her legitimate concerns will not be overlooked.

II. COMMENTS ON THE EVALUATORS' CONCLUSIONS AND LESSONS LEARNED

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1. Microenterprise Non-Financial Assistance Programs

a. Page 9 of 10, evaluator does not agree with subsidies for technical assistance. This matter has been addressed sufficiently in other portions of the evaluation draft report. It is apparent that the ORD does not agree with the DAI Microenterprise Expert's technical approach on this matter, nor does the ORD agree with the Microenterprise Specialist's criticism of how the ME sector was managed during the evaluation period. The Scope of Work did not include evaluation of other technical services provided by other institutions, but perhaps that is a valid point to be included in the ME sector re-evaluation recommended by the Team Leader.

b. Page 10 of 10, weaknesses of management and control systems. The Microenterprise Expert, as part of his recommendations, alludes to the need for strengthening management and control systems. It is agreed that the statements made in point 5.1.3 need further clarification, as they seem to contradict each other. It is unlikely that the consultant would be opposed to searching for alternate or more efficient approaches, as long as they do not drastically depart from the implementation strategy approved by the donor and implementing teams.

c. Page 10 of 10, lack of results-oriented information, etc. I whole-heartedly agree with the need to define terms such as 'results-oriented culture', "lack of homogeneity" and "convening capacity". It should be noted that these terms were eliminated in the tables reporting "strengths and weaknesses" in recognition of this problem.

d. Page 10 of 10, clear definition of roles between LBII, ADEX, and AID. It is agreed that these matters deserve further amplification and clarification. Although there may be some over-lapping areas of responsibility, the Team Leader did not diagnose this as being serious enough to warrant substantial concern. What is of concern, however, was the apparent micro-management of MSP activities by the USAID/ORD/MSP Project Coordinator, which has resulted in some internal complaints by MSP staff members. The apparent lack of any formal coordination or advisory committee will almost certainly lead to informal micro-management, especially if strong personalities exist.

III. ATTACHMENT A. RESPONSES OF INSTITUTIONAL CONTRACTOR

1. MSP Management. In response to the final conclusion reached by LBII that the evaluation team was overly quick to suggest systematic approaches to management issues, it is our opinion that contrary to the institutional contractor's comments, we found too much catering to USAID theoretical management approach in the information requested, instead of insisting on following the results-oriented practical strategy approach which everyone seemed to favor.

2. Monitoring and Evaluation. Considerable discussion was held on this matter and the conclusion was reached that there exists a profound difference of opinion on the definition and reason for the M&E system. Apparently the IC insists on defending their viewpoint to extremes, as can be seen by the frequent referrals to many different pages of the Evaluation Draft Report where this matter

was addressed. It is the Team Leaders opinion that the institutional contractor is over-reacting to the evaluation teams opinions, and it is hoped that instead of pursuing arguments on this matter that they are applying equally rigorous attention to fixing the weaknesses found by the evaluation team.

3. Self-Sustainability and Institutional Strengthening. We agree with the institutional contractor's reaction. It is unfortunate that this issue was not given its' due importance during the Project design, given the traditional importance placed on this aspect by USAID. As stated previously, let's get on with the work required here.

4. Planning. The institutional contractor's interpretation of information presented in Table 15 (there is an inconsistency in Table numbering), which is really Table 10, is flawed. Furthermore, the institutional contractor is stating that Project Paper Supplement information is unrealistic. In who's opinion? Where are the market studies to verify this statement? If further, updated and critical information regarding EOPS targets were modified, why is this information only now being disclosed? It is apparent that the IC is losing sight of the fact that this Project is only less than two years from termination.

Agricultural development in particular requires much more time to achieve results than appreciated by the institutional contractor, which is weak in this area of development.

5. Credit Access. The evaluation team continues to believe that credit, not necessarily the CAP unit itself, is and will remain to be a constraint in achieving EOPS targets in the agricultural sector. The institutional contractor, in stating that the program is "far-flung", (page 5 of 5, Attachment A) apparently recognizes some of the weaknesses involved in the administration and implementation of this program.

IV. ATTACHMENT B. ADEX RESPONSES TO EVALUATION DRAFT REPORT

1. Agricultural Programs. It is interesting to see the projected LOP sales of the agricultural sector. One truly hopes that these sales are realized. What if they aren't? Is there a realistic basis for these projections? On what sales basis (CIF or FOB) are these being projected? Does anyone really believe that the cost of developing onions sales, a brand new product in Peru, will only be \$12.46 per thousand of sales? Is this number low because the projected sales are overstated? Are the production and logistical systems in place to increase these sales at the rate projected within time frame remaining?

2. Microenterprise Program. I have now reached the conclusion that there is not an objective appraisal of the evaluation teams conclusions on this program. It is now very apparent that a re-evaluation of this program is necessary.

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